

CITY OF CUPERTINO GENERAL PLAN AMENDMENT 1-GPA-80 TECHNICAL APPENDIX - C

ECONOMIC ANALYSIS

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TABLE OF CONTENTS

	<u>Page No.</u>
EXECUTIVE SUMMARY	1
I. PURPOSE	1
II. SOCIOECONOMIC TRENDS AND PROJECTIONS	3
A. Population	8
B. Households	8
C. Employment	11
D. Income	14
III. RETAIL MARKET IMPACT ANALYSIS	18
A. Market Area Definition	18
B. Existing Market Conditions	21
C. Future Market Trends	31
D. Evaluations of Proposed Growth Scenarios	42
IV. OFFICE SPACE MARKET IMPACT ANALYSIS	52
A. Market Area Definition	52
B. Existing Market Conditions	53
C. Future Market Trends	58
D. Evaluation of Proposed Growth Scenarios	65
V. INDUSTRIAL SPACE MARKET IMPACT ANALYSIS	69
A. Market Area Definition	69
B. Existing Market Conditions	70
C. Future Market Trends	73
D. Evaluation of Proposed Growth Scenarios	76
VI. HOUSING MARKET IMPACT ANALYSIS	80
A. Market Area Definition	80
B. Existing Market Conditions	80
C. Future Market Trends	97
D. Evaluation of Proposed Growth Scenarios	102

VII. FISCAL IMPACT ANALYSIS	116
A. Method of Analysis	116
B. Cost Estimates	130
C. Revenue Estimates	139
D. Comparison of Fiscal Costs and Revenues	141
E. Implications and Recommendations	143
VIII. CONCLUSIONS AND RECOMMENDED MITIGATION MEASURES	144
A. Retail Market Conclusions	144
B. Office Market Conclusions	145
C. Industrial Market Conclusions	145
D. Housing Market Conclusions	146
E. Fiscal Impact Conclusions	148
F. Policy Implications	148

LIST OF EXHIBITS

		<u>Page No.</u>
I-1	Economic Analysis Flow Diagram	2
II-1	Santa Clara County	4
II-2	Primary Retail Market Area	5
II-3	Secondary Retail Market Area	6
II-4	Population Trends, Primary and Secondary Retail Market Areas, Santa Clara County, 1975-1990	9
II-5	Household Trends, Primary and Secondary Retail Market Areas, Santa Clara County, 1975-1990	10
II-6	Average Household Size Trends, Primary and Secondary Retail Markets, Santa Clara County, 1970, 1981	12
II-7	Employment Trends, Primary and Secondary Retail Market Areas, Santa Clara County, 1975-1990	13
II-8	Unemployment Rate Trends, Annual Averages, Civilian Labor Force, Santa Clara County, San Francisco SMSA, California, 1979-1982	15
II-9	Unemployment Rate Trends, Santa Clara County, San Francisco SMSA, California, 1980-1981	16
II-10	Estimated Distribution of Households by Income, Cupertino Market Areas, Santa Clara County, 1981	17
III-1	Primary Retail Market Area	19
III-2	Secondary Retail Market Area	20
III-3	Regional Shopping Centers, Primary and Secondary Market Areas, 1981	22
III-4	Locations of Regional Shopping Centers - Santa Clara County, 1981	23
III-5	Adults Shopping One or More Times in the Last 30 Days, Santa Clara County Shoppers, 1980	25
III-6	Percent of All Santa Clara County Adults Who Have Shopped at Regional Shopping Centers, 1980	26
III-7	Taxable Sales of Retail Stores for Selected Shopping Centers in Santa Clara County, 1976-1979	27
III-8	Existing Retail Market, Primary and Secondary Market Areas, 1980	30
III-9	Tenant List, Cupertino Crossroads Shopping Center, 1981	32

III-10	Growth in Expenditures Due to Population Growth, Primary and Secondary Markets, 1980-1986	34
III-11	Growth in Expenditures Due to Employment Growth, Primary and Secondary Markets 1980-1986	36
III-12	Planned Additions to Regional Shopping Centers, Primary and Secondary Market Areas, 1980-1986	39
III-13	Growth in Retail Supply, In Square Feet, Primary and Secondary Markets, 1980-1986	40
III-14	Commercial Employment Potential, Santa Clara County Cities, 1979	41
III-15	Retail Market Evaluation, Primary and Secondary Market Areas, 1980-1986	43
III-16	Retail Market Evaluation, Urbanized Area of Santa Clara County, 1980-1986	44
III-17	Comparative Land Use Summary, Commercial Construction, Cupertino, August 1981	46
III-18	Additional Construction as Percent of Existing/Approved Construction, Commercial Construction, Cupertino, 1981	47
III-19	Cross Shopping Patterns, Santa Clara County Shoppers, 1980	49
IV-1	Office Sub-Market, Santa Clara County	54
IV-2	Growth of Office Space in Santa Clara County Through 1979	55
IV-3	Growth of Office Construction in Santa Clara County, 1972-1979	56
IV-4	Absorption Rate Trends, Santa Clara County, West Valley Area, 1975-1980	57
IV-5	Inventory of Existing Office Space, Santa Clara County, December 1980, July 1981	59
IV-6	Office Occupancy Rates, Santa Clara County, 1978-1981	60
IV-7	Office Occupancy Rates, Santa Clara County 1978-1981	61
IV-8	Comparative Rent Levels for Major Multi-Tenant Office Buildings in Santa Clara County, 1980	62
IV-9	Comparative Rent Ranges for Major Multi-Tenant Office Buildings in Santa Clara County, 1980	63
IV-10	Comparative Land Use Summary, Office Construction, Cupertino, August 1981	66
IV-11	Additional Construction as Percent of Existing/Approved Construction - Office Construction - Cupertino 1981	67

V-1	Industrial Space Absorption Patterns Santa Clara County, Cupertino, 1976-1980	71
V-2	Inventory of Industrial Research and Development Space for Lease, Silicon Valley Market Area, August 1981	72
V-3	Industrial Employment Potential, Santa Clara County Cities, 1979	74
V-4	Employment Trends, High Technology Companies, Santa Clara County, 1977-1979	75
V-5	Comparative Land Use Summary, Industrial Construction, Cupertino, August 1981	77
V-6	Additional Construction as a Percent of Existing/Approved Construction, Industrial Construction - Cupertino 1981	78
VI-1	San Jose Real Estate Board Area	81
VI-2	Cupertino/Monte Vista Area	82
VI-3	Single-Family Home and Condominium Sales, San Jose Metropolitan Area, 1980, 1981	84
VI-4	Distribution of Single-Family Home Sales, San Jose Metropolitan Area, 1981	85
VI-5	Single-Family Home Sales, Cupertino - Monte Vista, 1980, 1981	86
VI-6	Condominium and Townhouse Sales, Cupertino, Monte Vista, 1980, 1981	87
VI-7	Survey of Residential Construction Projects, Cupertino and Vicinity, March-April, 1981	88
VI-8	Locations of Residential Construction Projects, Cupertino and Vicinity	89
VI-9	Rent Survey of Advertised Housing Units, Cumulative Percents by Type of Unit, Cupertino 1981	91
VI-10	Housing Affordability Analysis, Single-Family Home Resales, Cupertino	92
VI-11	Housing Affordability Analysis, Condominium Resales, Cupertino	93
VI-12	Housing Affordability Analysis, Single-Family Home New Construction Sales, Cupertino	94
VI-13	Housing Affordability Analysis, Condominium New Construction Sales, Cupertino	95
VI-14	Housing Affordability Analysis, Rental Housing, Cupertino	96
VI-15	Residential Development Potential, Santa Clara County Cities, 1979	98
VI-16	Potential Residential Development, Cupertino, 1981	100
VI-17	Distribution of Employees by Type and Income Level, Cupertino Employees, 1981	101

VI-18	Distribution of New Employees by Type and Income, Cupertino	103
VI-19	Distribution of Additional Employees by Type	104
VI-20	Distribution of Additional Employees by Income, #7 Increased Intensity Plan, Cupertino 1981-1990	105
VI-21	Comparative Land Use Summary, Residential Construction, Cupertino, August 1981	106
VI-22	Additional Construction as Percent of Existing/Approved Construction, Residential Construction, Cupertino, 1981	107
VI-23	Distribution of Employees by Residence, Cupertino Employers, 1981	109
VI-24	Survey of Workers per Household, Santa Clara County Employers, 1979	110
VI-25	Employment Status of Women, Santa Clara County Shoppers, 1980	112
VI-26	Likely Number of Housing Units Occupied by Employers Due to Additional Growth, Cupertino, 1981-1990	115
VII-1	Estimate of Increased Nonresidential Property Value, Under "Increased" Development Scenario by Type of Development	121
VII-2	Estimate of Increased Nonresidential Property Value Under "Intermediate" Development Scenario by Type of Development	122
VII-3	Estimate of Increased Nonresidential Property Value Under "Existing" Development Scenario by Type of Development	123
VII-4	Estimate of Increased Nonresidential Property Value Under "Decreased" Development Scenario by Type of Development	124
VII-5	Distribution of Government Expenditures, City of Cupertino, 1980-1981	125
VII-6	Student Population Growth and Cost Impacts Under Development Scenarios	127
VII-7	Growth in Housing Units and Population by Development Scenarios	129
VII-8	Estimates of New Nonresidential Fiscal Costs for the Four Development Scenarios	131
VII-9	Estimated Incremental Nonresidential Fiscal Costs by Service Category and Development Scenarios	132
VII-10	Estimated Incremental Residential Fiscal Costs by Service Category and Development Scenario	134
VII-11	Estimated Incremental School Cost Impacts by Development Scenario	135
VII-12	Estimated Incremental Cost Impacts by Service Category and Scenario	136

VII-13	Estimated Incremental Revenue Impacts	140
VII-14	Combined Cost and Revenue Estimates for the Four Developments	142
VIII-1	Land Use Summary Evaluation, Additional Construction as Percent of Existing/Approved Construction - Cupertino, 1981	149

APPENDICES

Appendix A:	List of Contacts
Appendix B:	Bibliography of Published Documents
Appendix C:	Refinement Coefficients for the Proportional Valuation Fiscal Impact Method
Appendix D:	Letter of 19 April 1982 from Central Fire Protection District
Appendix E:	Detailed Statement of General City Expenditures for the Fiscal Year Ended June 30, 1980
Appendix E-2:	Detailed Statement of General City Revenues for the Fiscal Year Ended June 30, 1980

EXECUTIVE SUMMARY

Questor Associates has completed an economic analysis of the potential impacts resulting from four versions of the Cupertino General Plan. These versions consist of 1) the existing General Plan, 2) a revised General Plan which permits higher levels of land development intensity, 3) a revised General Plan which permits an intermediate level of land development intensity; and 4) a revised General Plan which reduces potential land development below existing limits. The analysis includes comprehensive examinations of the following areas:

- ° Population, household, and employment projections;
- ° Retail market feasibility, and potential impacts;
- ° Office space market feasibility, and potential impacts;
- ° Industrial space market feasibility, and potential impacts;
- ° Fiscal impacts on the City of Cupertino; and,
- ° Recommended mitigation measures to reduce negative impacts.

The conclusions of this analysis are presented below.

RETAIL MARKET CONCLUSIONS

The level of commercial development permitted under both the existing and intermediate intensity General Plan scenarios have a high degree of market feasibility. The additional commercial construction of over 2 million square feet allowed under the increased intensity plan, however, would appear difficult to support given the projected levels of population and employment growth.

The major negative impacts of commercial expansion in Cupertino would fall largely on centers outside the City. The expansion of Vallco Fashion Park in particular would have a negative impact on Sunnyvale Town Center and the Valley Fair/

Stevens Creek project. Local Cupertino retailers most likely to be negatively impacted by an expansion of Vallco Fashion Park would be specialty stores which sell goods similar to those of Vallco, such as the high fashion apparel stores found in several centers along Stevens Creek Boulevard.

Questor's analysis indicates that between 400,000 and 500,000 square feet of commercial space can be absorbed over the next five years. During the mid-1980s, a re-evaluation of the retail market should be performed to determine the extent of additional demand which might occur due to employment and population growth. Questor also recommends that the retail identity and viability of the Crossroads-Town Center area can be enhanced by encouraging mixed-use developments. (Refer to pp. 18-51.)

OFFICE MARKET CONCLUSIONS

Demand for office space in Cupertino is expected to be strong throughout the 1980s, and thus all four of the General Plan scenarios are feasible in terms of market criteria. To avoid a temporary oversupply in the office space market, however, Questor would recommend that no more than 400,000 square feet be marketed in one year. (Refer to pp. 52-68.)

INDUSTRIAL MARKET CONCLUSIONS

Demand for research and development space in Cupertino is also expected to be strong during the 1980s, and thus all four General Plan scenarios have a high degree of market feasibility. To avoid a temporary oversupply of industrial space, however, Questor recommends that no more than one industrial building be marketed within a two- to three-month period. (Refer to pp. 69-79.)

HOUSING MARKET CONCLUSIONS

The vast majority of new employees will likely come from residences outside Cupertino. Only those households with two

wage earners with relatively high incomes are likely to be able to afford housing within the City. Increased employment will aggravate the existing imbalance between jobs and housing in Santa Clara County. Although housing is a countywide problem, in the absence of a metropolitan government, it would appear that each city would have to take responsibility for providing some housing in conjunction with new jobs. It should be emphasized, however, that this decision is more a question of public policy rather than strict economic analysis.

Since the policy objectives concerning this issue have yet to be clearly formulated by the City, it is not possible to recommend specific mitigation measures. Questor has presented 1) mitigation techniques being used in neighboring cities, and 2) extensive housing market data to assist the City in refining its policies. (Refer to pp. 80-115.)

FISCAL IMPACT CONCLUSIONS

The increased intensity General Plan scenario generates the largest fiscal surplus. This fact alone, however, does not justify it as the best alternative. To further refine the fiscal impact analysis, it is recommended that a meeting of agencies providing services be convened to pinpoint the likely marginal costs and delivery problems of servicing development under the increased and existing scenarios. A public/private task force of department heads, developers, and business executives should be established to consider how to finance new infrastructure and services. (Refer to pp. 116-143.)

POLICY IMPLICATIONS

All four of the General Plan scenarios are feasible in terms of market and fiscal criteria, with the exception of 1) the level of commercial development permitted under the increased intensity alternative.

Several key issues which must enter into the City's decision in selecting an appropriate General Plan are not covered in this report. These issues include:

- ° Environmental concerns;
- ° Social policy objectives;
- ° Urban design criteria; and
- ° Transportation impacts.

As a result, Questor encourages the City of Cupertino to consider the results of this study in light of the varied concerns which influence land use planning. Only by considering the full impacts of the three General Plan scenarios can the City make an informed decision concerning the future of Cupertino.

I. PURPOSE

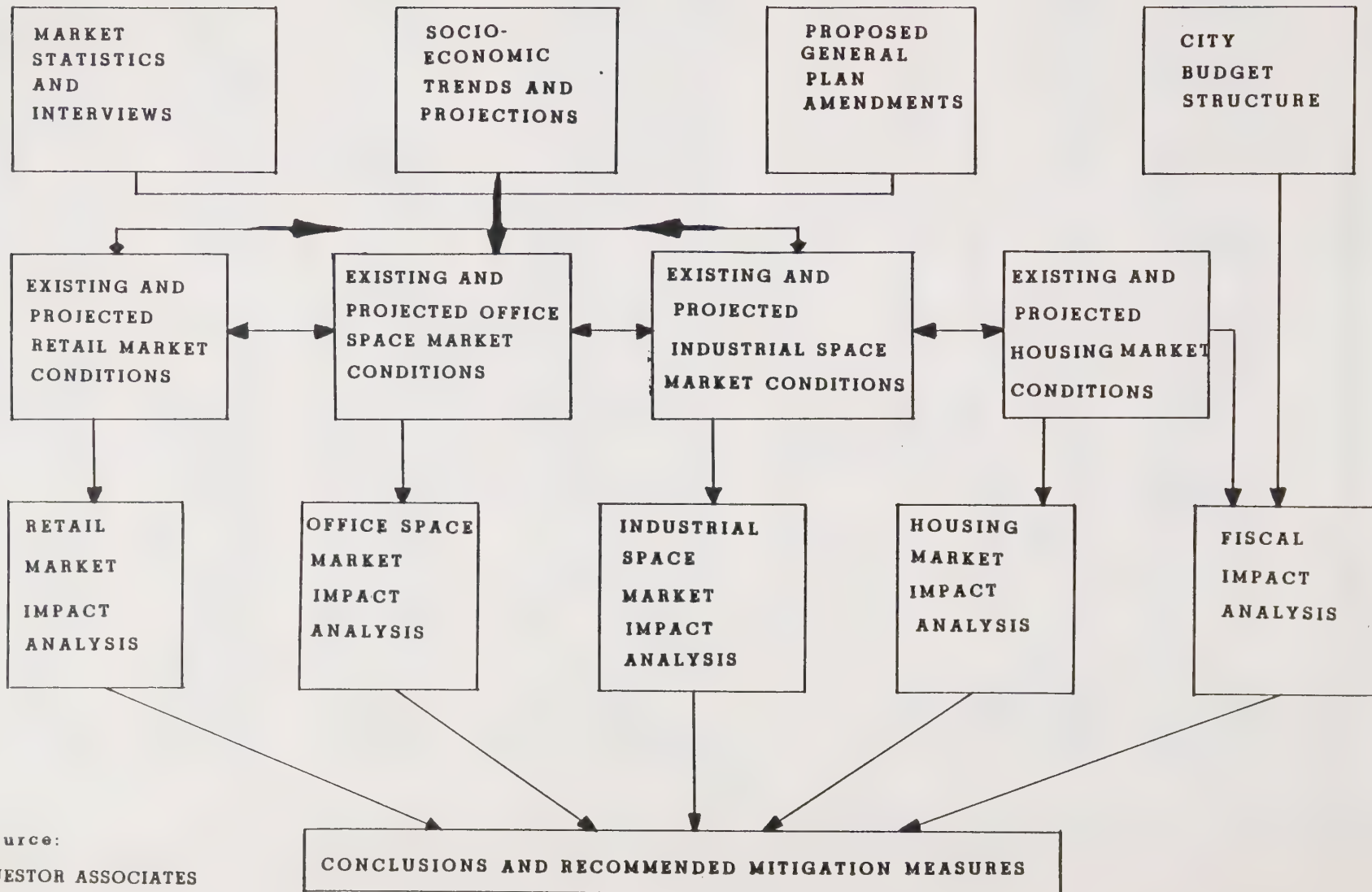
Questor Associates has completed an economic analysis to determine the impacts of four proposed versions of the Cupertino General Plan. Questor has used both quantitative and qualitative methods to determine the impacts of the four possible levels of development growth within the city. Specifically, Questor has analyzed the following:

- ° Population, household, and employment projections for Santa Clara County and appropriate market areas for 1986 and 1990;
- ° Retail market impacts, with respect to 1) regional shopping centers throughout Santa Clara County, and 2) existing local Cupertino retail activity;
- ° Office space market impacts, in light of anticipated office use trends in the Silicon Valley area;
- ° Industrial space market impacts, with specific reference to research and development space;
- ° Housing market impacts, particularly in relation to additional demand resulting from increased employment in Cupertino;
- ° Fiscal impacts on the City of Cupertino, analyzing revenues to the City as compared to the cost of servicing new development; and,
- ° Short- and long-term mitigation measures which might be taken to reduce the effect of the identified impacts.

A flow-chart of this process is shown in Exhibit I-1.

Exhibit I-1

ECONOMIC ANALYSIS FLOW DIAGRAM



Source:
QUESTOR ASSOCIATES

II. SOCIOECONOMIC TRENDS AND PROJECTIONS

As the first step in evaluating the proposed General Plan amendments, Questor Associates has analyzed population, household, and employment projections for 1986 and 1990. These projections provide the statistical foundation upon which the market impact analyses are developed.

Questor has identified three major geographical areas of analysis in compiling these projections. These areas are:

- ° Santa Clara County (Exhibit II-1);
- ° the primary retail market area (Exhibit II-2);
and,
- ° the secondary retail market area (Exhibit II-3).

The significance of these market areas will be explained in more detail in Section III of this report. In brief, a primary market area is that area in which over 50% of a shopping center's customers live. The secondary market area is an area beyond the primary market, where the majority of the store's or shopping center's remaining customers live. The primary and secondary market areas together should constitute from 80% to 90% of the shopping center's customer base.

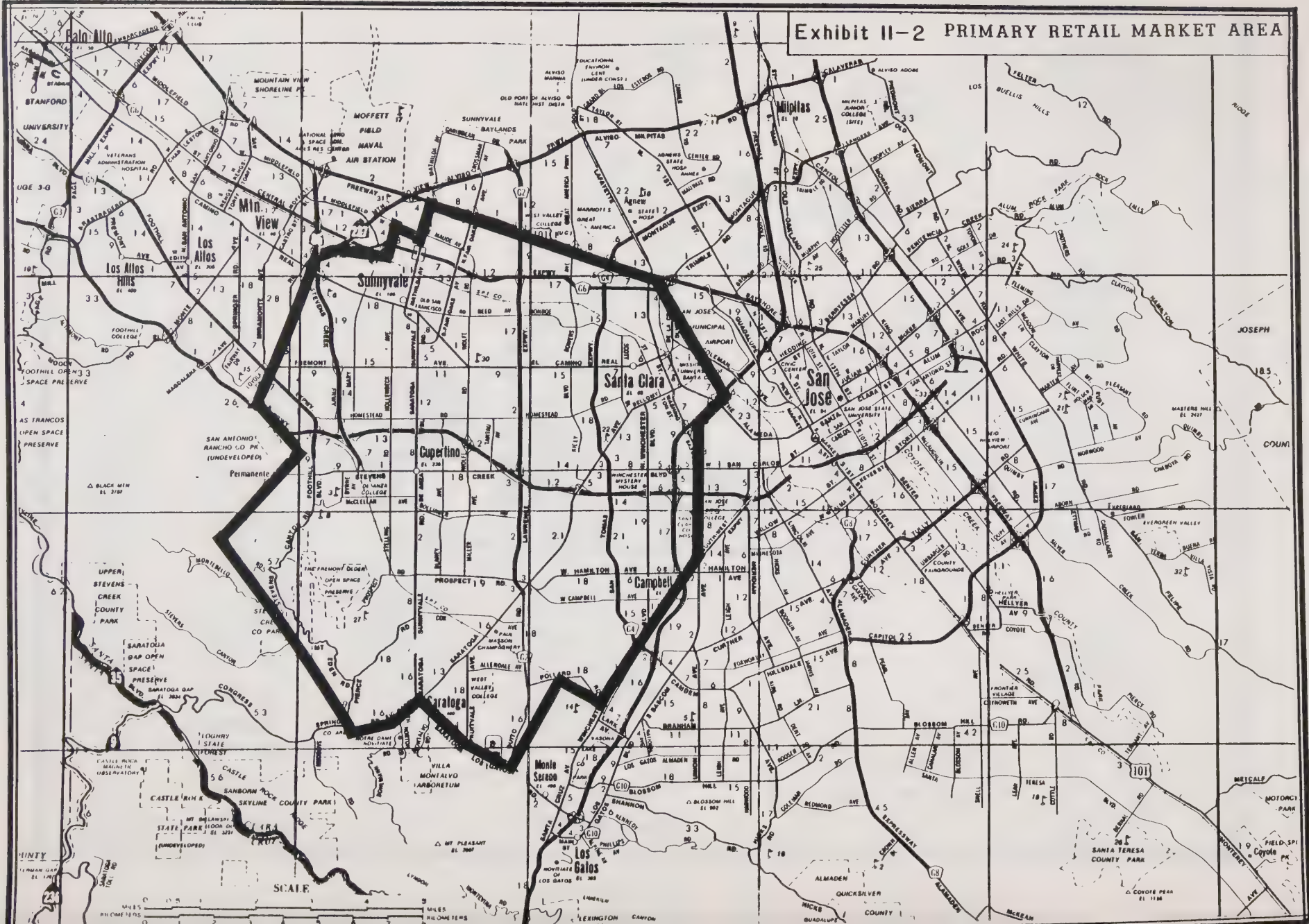
In the case of regional shopping center activity in Cupertino, the primary market area is a circle of approximately five miles in diameter. It includes all of Cupertino as well as parts of Los Altos, Mountain View, Sunnyvale, Santa Clara, San Jose, Campbell, and Saratoga.

The secondary market area consists of the remaining urbanized portion of Santa Clara County, roughly within a 20 to 30 minute drive of Cupertino. It stretches from Palo Alto on the west to Milpitas on the east, and to Edenvale/Alameda on the south.

Questor Associates has relied primarily on two sources of data to develop socioeconomic trends for these areas. These two sources are:



Exhibit II-2 PRIMARY RETAIL MARKET AREA



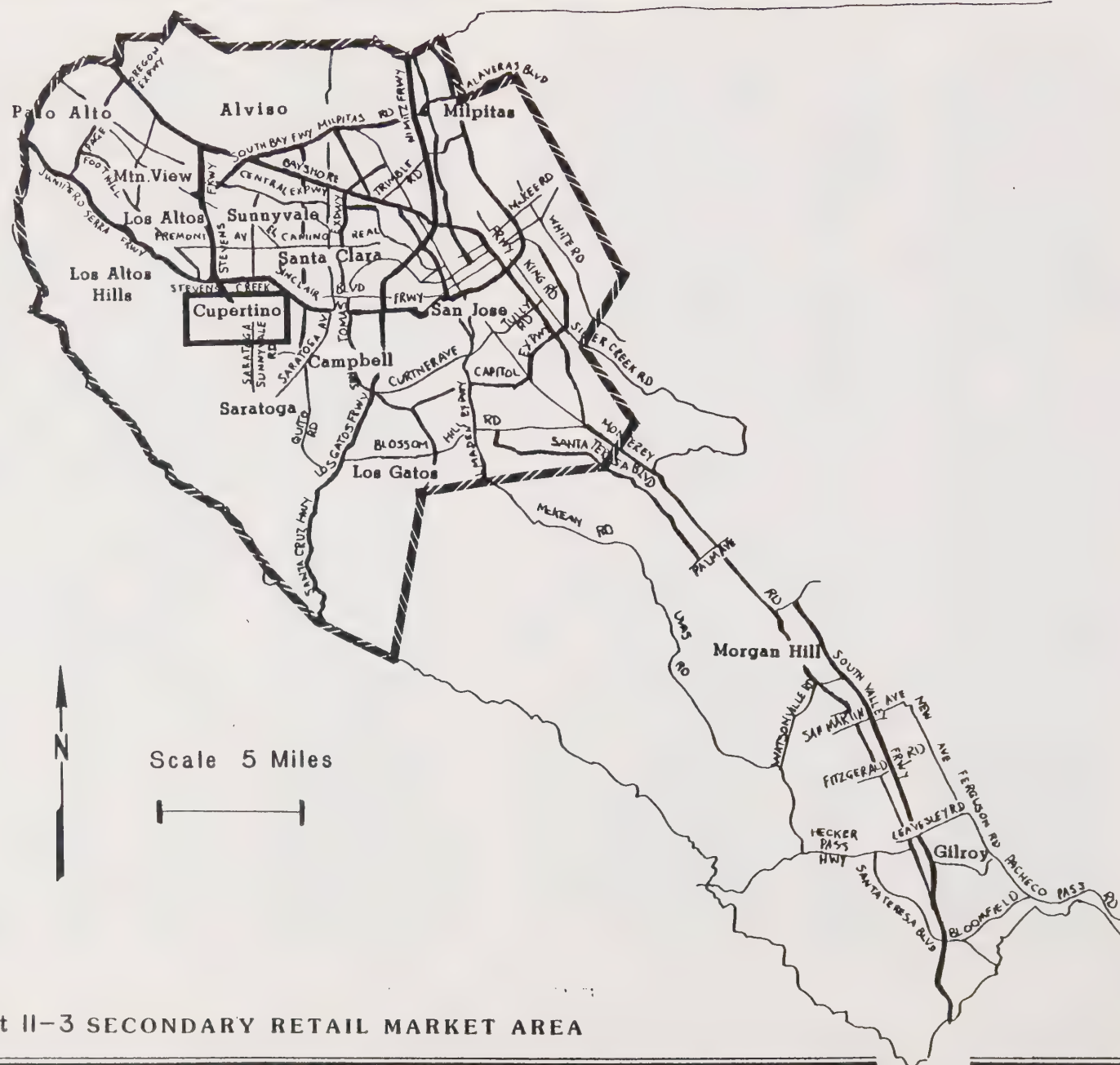


Exhibit 11-3 SECONDARY RETAIL MARKET AREA

Source: Questor Associates

- ° Urban Decisions Systems, Inc.; and,
- ° the Santa Clara County Planning Department.

Urban Decisions Systems, Inc. (UDS) is a demographic statistics firm headquartered in Los Angeles, California. The 1980 U.S. Census is the data base for UDS' population and household projections. Using accepted statistical techniques such as cohort survival and migration models, UDS has estimated the number of persons and households within Santa Clara County and in the two market areas for 1981 and 1986.

The Santa Clara County Planning Department, in conjunction with several consulting firms(1), has developed in-depth projections for population, households, and employment for the year 1990, using data from the base year of 1975. Santa Clara County was subdivided into over 300 zones of analysis, and 1975 and 1990 figures were estimated for each zone. Although the boundaries of primary and secondary market areas were roughly identified on the basis of shoppers surveys and Questor interviews with marketing specialists, the exact geographical boundaries of the market areas correspond to aggregations of these Santa Clara County Planning Department zones. The County's projections are land-use based, in that the most recent available General Plans from the appropriate jurisdictions were used to determine the potential for additional growth in housing and employment.

Neither of the two sources discussed above projected employment for 1986. The California Employment Development Department, however, has projected employment for Santa Clara County for 1985. Using the average annual growth rate for the period 1980-1985, Questor has made its own Santa Clara County employment projection for 1986. The growth for Santa Clara County between 1981 and 1986 has been applied to the primary and secondary market areas to complete the 1986 projection series.

An overview of these projections is presented below. These statistics are an indication of how the demographic profile of Santa Clara County is likely to change during the next five to twenty years. The projections are then used, as applicable, in the various impact analyses which are contained in this report.

(1) Wilbur Smith and Associates; Earth Metrics; Bechtel; Sedway/Cooke; Mark Thomas; and Jordan/Avant.

A. POPULATION

Santa Clara County grew from a population of 1,169,000 in 1975 to 1,308,140 in 1981. UDS projects that the County will have a population of 1,402,296 in 1986, which represents a gain of 7.2% during the 1981-1986 period. Projections for the secondary market area show a similar trend, with an increase in population of 7.4% between 1981 and 1986. The primary market area, in contrast, has decreased in population between 1975 and 1981, from 383,982 to 377,966. This decrease in population is attributable in part to a decrease in household size within the residences of the West Valley (as discussed in more detail in Section B, Households, below). UDS expects that population will grow in the primary market area by an insignificant amount (0.4%) between 1981 and 1986.

This trend is expected to extend countywide during the 1986-1990 period. The population of Santa Clara County will decrease by 5.5%, the secondary market area population will be reduced by 3.9%, while the primary market area population will be reduced by only 2.9%. These population trends are presented in Exhibit II-4.

B. HOUSEHOLDS

The number of households in all areas is expected to increase during the entire 1975-1990 period. The number of households is projected to increase by approximately 14% in both the County and the secondary market area during 1981-1986, as shown in Exhibit II-5. The rate of household increase is expected to lessen during 1986-1990, dropping to 5% for the secondary market area and to only 1% for the County as a whole. The primary market, in contrast, will be growing in households by only 2.3% during 1981-1986, and by 2.2% during 1986-1990. The high degree of residential build-out in the five-mile area surrounding Cupertino is a partial explanation for this slow household growth.

An examination of the changes in household size during the analysis period is useful in understanding why population is decreasing while the number of households is increasing. In all three geographical areas, household size has decreased between 1975 and 1981, and this trend is expected to continue through 1990. The primary market area has the smallest household size, ranging from 2.82 persons per household in

Exhibit II-4

POPULATION TRENDS
PRIMARY AND SECONDARY RETAIL MARKET AREAS
SANTA CLARA COUNTY
1975-1990

	<u>1975</u>	<u>1981</u>	<u>1986</u>	<u>% Change 1981- 1986</u>	<u>1990</u>	<u>% Change 1986- 1990</u>
Primary Market Area	383,982	377,966	379,487	0.4%	368,580	-2.9%
Secondary Market Area	713,711	789,083	847,583	7.4	814,263	-3.9
Santa Clara County	1,169,006	1,308,140	1,402,296	7.2	1,323,565	-5.6

SOURCES: 1975, 1990: Santa Clara County Planning Department;
1981, 1980: Urban Decision Systems, Inc.;
Questor Associates.

Exhibit II-5

HOUSEHOLD TRENDS
PRIMARY AND SECONDARY RETAIL MARKET AREAS
SANTA CLARA COUNTY
1975-1990

	1975	1981	1986	% Change 1981- 1986	1990	% Change 1986- 1990
Primary Market Area	136,228	148,825	152,239	2.3%	155,653	2.2%
Secondary Market Area	235,827	273,318	311,893	14.1	328,359	5.3
Santa Clara County	392,401	462,345	526,810	13.9	533,177	1.2

SOURCES: 1975, 1990: Santa Clara County Planning Department;
1981, 1986: Urban Decision Systems, Inc.;
Questor Associates.

1975 to 2.37 persons per household in 1990. Household size in the secondary market area and the County is expected to drop dramatically between 1975 and 1990, from approximately 3 persons per household to 2.5 persons per household. These statistics are presented in Exhibit II-6. This trend toward smaller household size can be explained by several emerging life-style patterns:

- ° Families are having fewer children and are delaying childbirth;
- ° The divorce rate is increasing, which creates more households of smaller sizes;
- ° The dramatic escalation of home prices in Santa Clara County has encouraged "empty nesters" (families where the children are no longer living at home) to remain in their present residences in the hope of increased price appreciation.

C. EMPLOYMENT

There are two important issues to be considered when analyzing the employment data presented in Exhibit II-7:

- ° The projections for 1986 for the two market areas are calculated by applying the Santa Clara County growth rate during the same period to the 1981 figures. Due to a lack of available land, it is possible that employment growth in the western portion of the County will be less than the County average.
- ° The Santa Clara County Planning Department has advised Questor that the employment estimates for 1990 are conservative and therefore low.

Employment growth in Santa Clara County has been exceptionally strong over the past six years. Employment increased in all three geographic areas between 1975 and 1981. Santa Clara County employment is expected to grow by 16.9% between

Exhibit II-6

AVERAGE HOUSEHOLD SIZE TRENDS
PRIMARY AND SECONDARY RETAIL MARKETS
SANTA CLARA COUNTY
1970, 1981

	<u>Primary Market Area</u>	<u>Secondary Market Area</u>	<u>Santa Clara County</u>
1975	2.82	3.03	2.98
1981	2.50	2.80	2.77
1986	2.49	2.72	2.66
1990	2.37	2.48	2.48

SOURCES: Urban Decision Systems, Inc.;
Questor Associates.

Exhibit II-7

EMPLOYMENT TRENDS
PRIMARY AND SECONDARY RETAIL MARKET AREAS
SANTA CLARA COUNTY
1975-1990

	<u>1975</u>	<u>1981</u>	<u>1986</u>	<u>% Change 1981- 1986</u>	<u>1990</u>	<u>% Change 1986- 1990</u>
Primary Market Area	143,550	200,039	233,791	16.9%	225,996	-3.3%
Secondary Market Area	336,284	468,616	547,685	16.9	550,276	0.5
Santa Clara County	504,480	703,000	821,616	16.9	840,906	2.3

NOTE: Estimates of Market Area employment for 1981 and 1986 are based on Santa Clara County's employment growth rate during 1975-1981 and 1980-1985 (estimated at same annual growth rate to 1986).

SOURCES: 1975, 1990: Santa Clara County Planning Department;
1981, 1986: California Employment and Development Department;
Questor Associates.

1981 and 1986. Due to limited land availability, however, employment growth will probably not reach this 16.9% level in the highly developed primary market area.

During the 1986-1990 period, employment growth will moderate. Employment growth in the primary and secondary market areas will likely be negligible, and growth in Santa Clara County will probably range between 2% and 3%.

Unemployment rates are an indication of both local labor force availability and a community's economic health. The unemployment rate of Santa Clara County has traditionally been below that of both the San Francisco SMSA and the State of California, as shown in Exhibit II-8. In 1980, Santa Clara County's unemployment rate was 5.3% as compared to 5.4% in the San Francisco SMSA and 6.8% in California as a whole.

Based on the projections of the California Employment Development Department, this trend is expected to continue through 1982. These statistics reflect the high demand for labor in Santa Clara County relative to other parts of California. Recently, due to a minor slow-down in the electronics industry, the County's employment rate has been slightly higher than the rate of the San Francisco SMSA, although below the State's average as shown in Exhibit II-9. Four-day work weeks are not uncommon.

D. INCOME

The income characteristics of households in the primary market area, the secondary market area, and Santa Clara County are surprisingly similar. A distribution of the three areas' households by income as well as the median and average household incomes is found in Exhibit II-10. In 1981, \$25,434 is the estimated median household income in the primary market area, \$24,237 in the secondary market area, and \$25,362 in the County. All of the areas are relatively affluent, with more than a quarter of the households having an income of over \$35,000.

The projection of income in a statistically valid manner is an extremely difficult task. None of the sources contacted by Questor have undertaken to project income for 1986 or 1990. Questor has examined the specific additions to the Cupertino labor force resulting from new development, however, and the likely income ranges of these workers are presented in Section VI, Housing Market Impact Analysis.

Exhibit II-8

UNEMPLOYMENT RATE TRENDS, ANNUAL AVERAGES
CIVILIAN LABOR FORCE
SANTA CLARA COUNTY, SAN FRANCISCO SMSA,
CALIFORNIA
1979-1982

<u>Year</u>	<u>Santa Clara County</u>	<u>San Francisco SMSA</u>	<u>California</u>
1979	5.1%	5.6%	6.2%
1980	5.3	5.4	6.8
1981*	5.9	5.9	7.4
1982*	5.4	5.7	6.9

* Projections.

SOURCES: California Employment Development Dept;
Questor Associates.

Exhibit II-9

UNEMPLOYMENT RATE TRENDS
SANTA CLARA COUNTY, SAN FRANCISCO SMSA, CALIFORNIA
1980, 1981

	<u>Santa Clara County</u>	<u>San Francisco SMSA</u>	<u>California</u>
October, 1980	5.3	5.4	6.8%
November	4.3	5.0	6.9
December	4.8	4.9	6.2
January, 1981	6.4	6.6	7.9
February	6.3	6.1	8.0
March	5.7	5.6	7.4
April	5.9	5.5	7.2
May	5.0	4.8	6.1
June	5.9	5.5	6.7
July	6.5	6.3	7.4

SOURCE: California Employment Development Department.

Exhibit II-10

ESTIMATED DISTRIBUTION OF HOUSEHOLDS BY INCOME
CUPERTINO, MARKET AREAS, SANTA CLARA COUNTY, 1981

HOUSEHOLD INCOME	Cupertino*			Primary Market Area			Secondary Market Area			Santa Clara County		
	Number of Households	%	Cumulative %	Number of Households	%	Cumulative %	Number of Households	%	Cumulative %	Number of Households	%	Cumulative %
Less than \$5,000	569	7.2	7.2	11,597	7.8	7.8	24,934	9.1	9.1	39,547	8.6	8.6
\$5,000-\$7,999	269	3.4	10.6	7,762	5.2	13.0	16,711	6.1	15.2	26,488	5.7	14.3
\$8,000-\$9,999	190	2.4	13.0	5,177	3.5	16.5	10,597	3.9	19.1	16,953	3.7	18.0
\$10,000-\$11,999	219	2.8	15.8	5,448	3.7	20.2	10,243	3.7	22.8	16,751	3.6	21.6
\$12,000-\$14,999	358	4.5	20.3	8,424	5.7	25.9	15,410	5.6	28.4	25,291	5.5	27.1
\$15,000-\$19,999	747	9.5	29.8	16,049	10.8	36.7	28,866	10.6	39.0	47,323	10.2	37.3
\$20,000-\$24,999	931	11.8	41.6	18,349	12.3	49.0	35,275	12.9	51.9	54,891	11.9	49.2
\$25,000-\$34,999	2,370	30.1	71.7	37,032	24.9	73.9	60,412	22.1	74.0	108,235	23.4	72.6
\$35,000-\$49,999	1,546	19.6	91.3	26,199	17.6	91.5	44,079	16.1	90.1	80,731	17.5	90.1
\$50,000 or more	676	8.6	99.9	12,789	8.6	100.1	26,792	9.8	99.9	46,134	10.0	100.0
Median	\$27,759			\$25,434			\$24,237			\$25,362		
Average	\$30,294			\$28,088			\$27,907			\$28,533		

*Based on original U.S. Census count of 7,876 households in Cupertino; subject to revision when annexed land is included.

NOTE: Totals may not equal 100.0 due to rounding.

SOURCES: Urban Decision Systems, Inc.; Questor Associates.

III. RETAIL MARKET IMPACT ANALYSIS

Questor Associates has completed an extensive examination of the regional and local retail market in Cupertino. This analysis includes a quantitative examination of estimated household expenditures as compared to actual retail sales, as well as conclusions reached through interviews with persons involved in retail marketing throughout Santa Clara County. A list of these persons is found in Appendix A.

A. MARKET AREA DEFINITION

The primary market area for regional shopping centers is typically defined as that geographic area within which approximately half of the shopping center's customers reside.(1) The secondary market area has boundaries beyond that of the primary market area, and the two market areas combined should include at least 80% of the shopping center customers' residences.

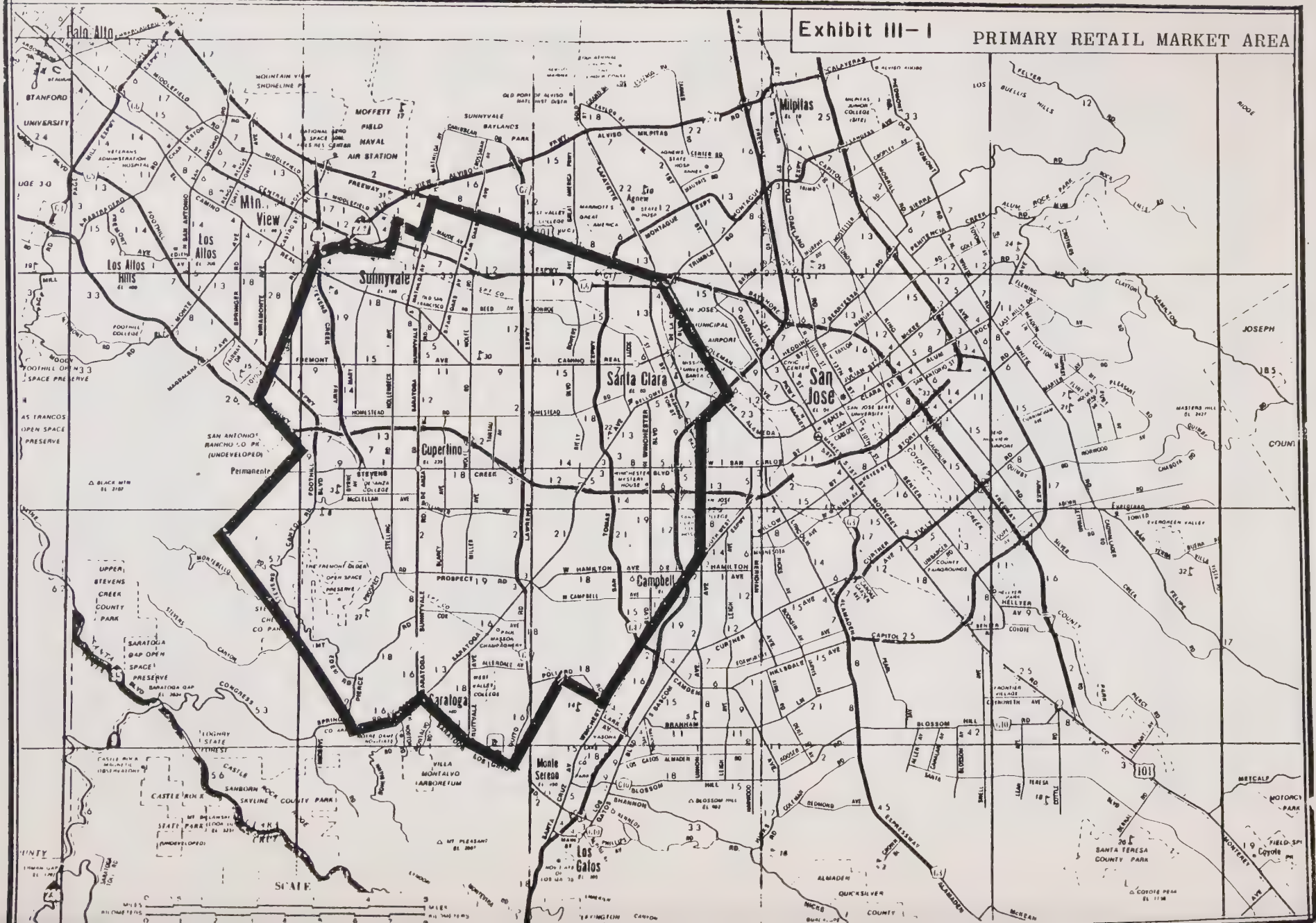
Based on customer surveys at Vallco Fashion Park and Stanford Shopping Center, and on interviews with shopping center managers throughout Santa Clara County, Questor has defined the primary market area for a regional shopping center in Cupertino as the area within approximately five miles of downtown Cupertino, as shown in Exhibit III-1. This area includes Cupertino and parts of Los Altos, Mountain View, Sunnyvale, Santa Clara, San Jose, Campbell, and Saratoga.

The secondary market area is defined as the urbanized portion of Santa Clara County, which stretches from Palo Alto on the west to Milpitas on the north and to Edenvale/Almaden on the south, as shown in Exhibit III-2. The secondary market area is roughly within a 20 to 30 minute drive from Cupertino.

The market area for local Cupertino retail outlets varies according to store type. Most of the stores draw the majority of their customers from within a radius of two to three miles. This area includes Cupertino and parts of Sunnyvale and Saratoga. The larger discount outlets along Stevens

(1) Based on interviews with shopping center managers throughout Santa Clara County.

Exhibit III-1 PRIMARY RETAIL MARKET AREA



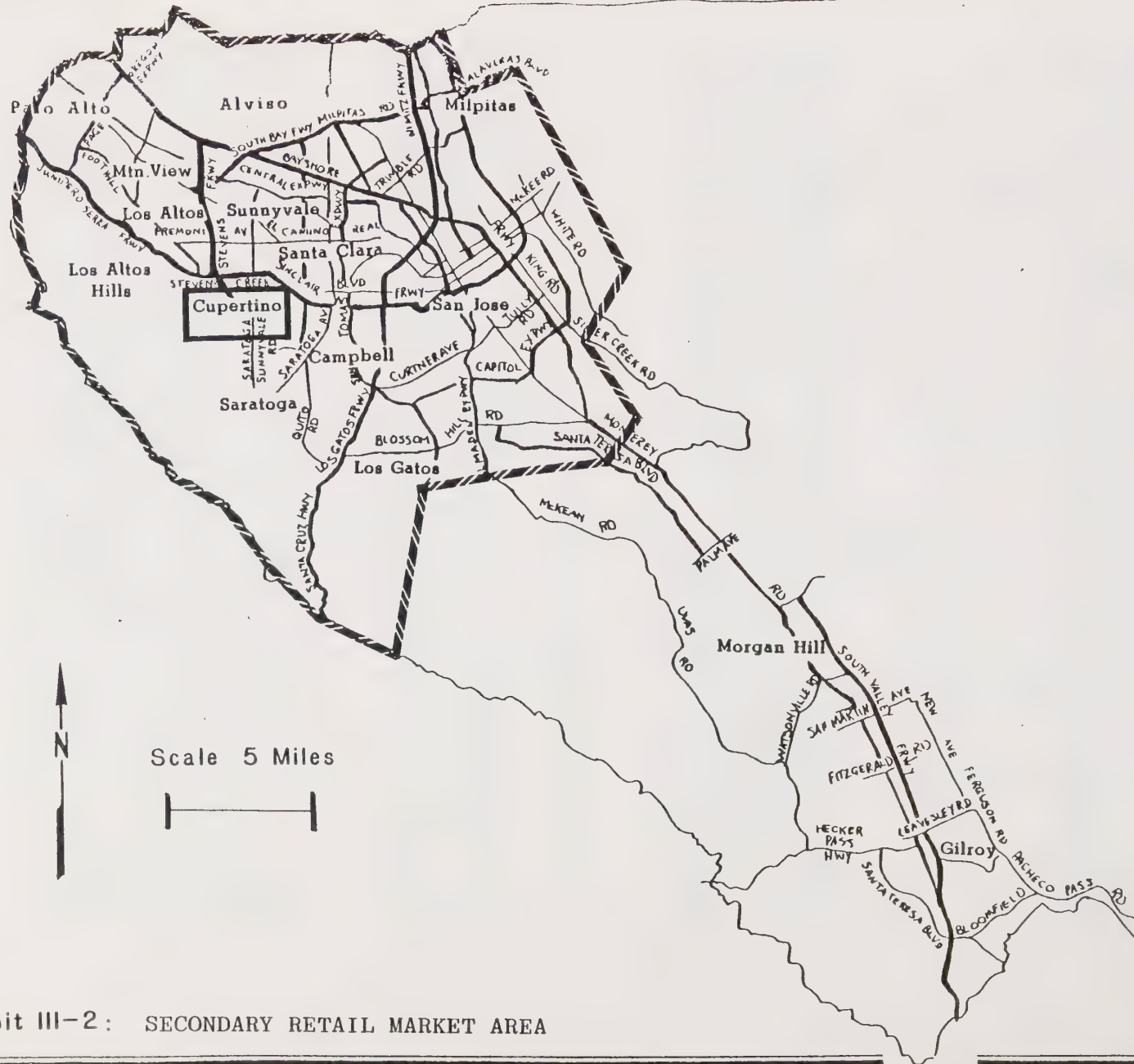


Exhibit III-2: SECONDARY RETAIL MARKET AREA

Creek Boulevard tend to draw customers from a wider market area. Specialty shops (for example, women's apparel stores) rely on a loyal customer base which may come from as far away as Los Altos, Palo Alto, and Los Gatos. A strong advertising campaign or an active customer-referral network is needed by local Cupertino retailers to draw customers from beyond this two to three mile radius.

B. EXISTING MARKET CONDITIONS

Questor Associates has analyzed current retail market conditions in Santa Clara County, in terms of both the regional and local shopping center markets. This analysis is based upon: published marketing documents (as listed in Appendix B); interviews with shopping center representatives, marketing specialists, and local Cupertino retailers (as listed in Appendix A); and estimates of consumer expenditure patterns as developed by Urban Decision Systems, Inc.

1. Regional Shopping Centers

A regional shopping center is typically defined as having a gross leasable area of over 300,000 square feet, with at least one major department store as the principal tenant. Using this definition, there are five regional shopping centers in the primary market area and seven in the secondary market area, as shown in Exhibits III-3 and III-4.

Vallco Fashion Park is by far the largest regional shopping center in the primary market area and is the only one with three anchor tenants. Sunnyvale Town Center, while 300,000 square feet smaller than Vallco, has approximately the same number of occupied stores. Vallco and Sunnyvale Town Center are relatively new developments, both having been constructed in the late 1970s. Stevens Creek Plaza and Valley Fair are adjacent centers located in Santa Clara and San Jose, respectively. If counted as one shopping center, these two centers comprise a total area of over 1,000,000 square feet, comparable to Vallco's 1,020,000. Westgate Shopping Center in San Jose has slightly over 500,000 square feet.

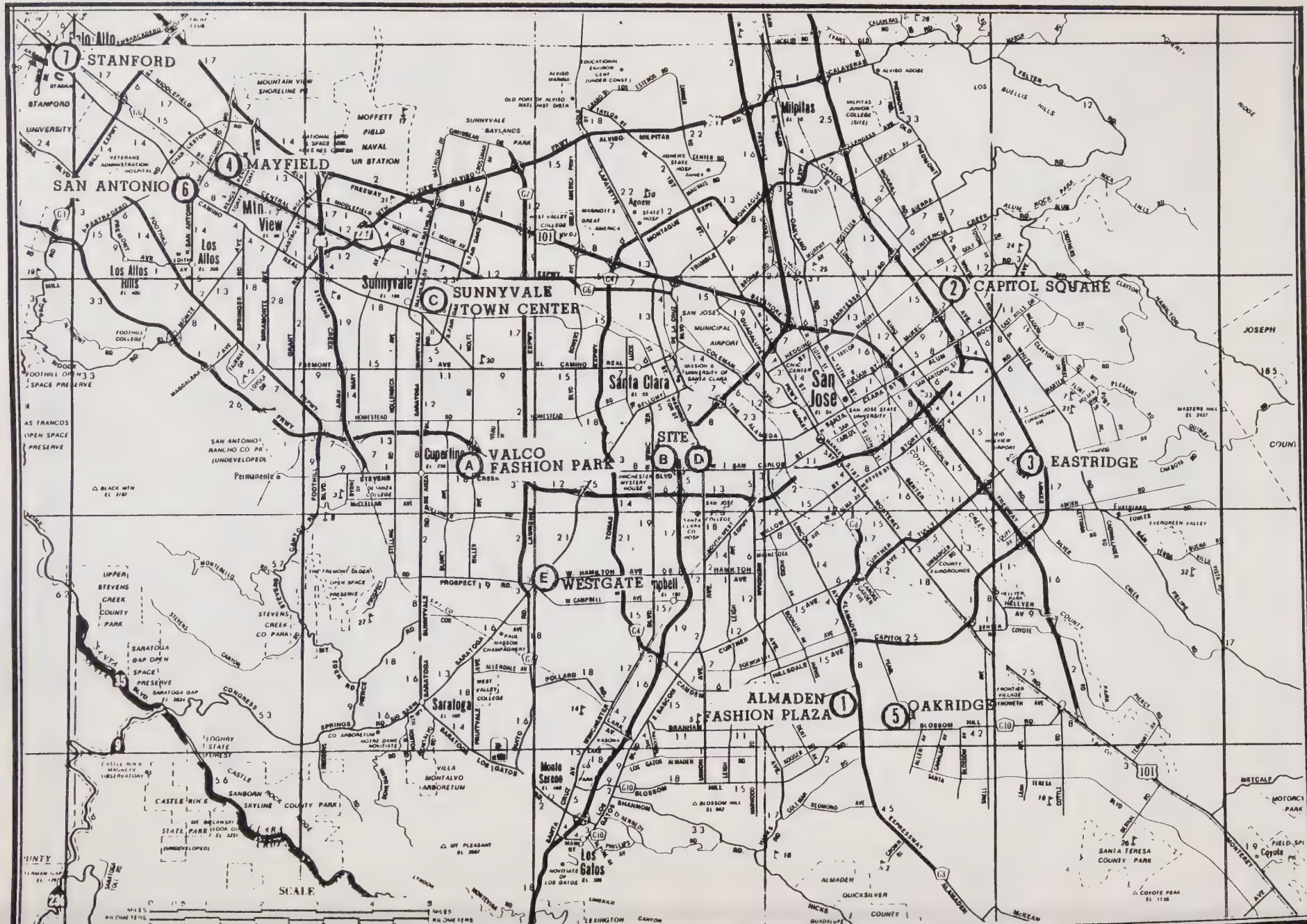
Exhibit III-3

REGIONAL SHOPPING CENTERS
PRIMARY AND SECONDARY MARKET AREAS
1981

Primary Market Area						
Map ID	Name of Shopping Center	City	Gross Leasable Square Feet	Anchor Tenants	Number of Occupied Stores	Date of Opening
A	Vallco Fashion Park	Cupertino	1,020,000	Bullock's J.C. Penney Sears	129	1976
B	Stevens Creek Plaza	Santa Clara	371,700	Emporium	14	1957
C	Sunnyvale Town Center	Sunnyvale	602,900	Macy's Montgomery Ward	121	1979
D	Valley Fair	San Jose	588,600	Macy's	53	1956
E	Westgate	San Jose	<u>505,600</u>	J.C. Penney Montgomery Ward	<u>57</u>	1960
Primary Market Total			3,088,800		374	
Secondary Market Area						
Map ID	Name of Shopping Center	City	Gross Leasable Square Feet	Anchor Tenants	Number of Occupied Stores	Date of Opening
1	Almaden Plaza	San Jose	450,000	Emporium	50	1968
2	Capitol Square	San Jose	346,900	Montgomery Ward	27	1971
3	Eastridge	San Jose	1,601,000	Emporium J.C. Penney Macy's Sears	151	1971
4	Mayfield Mall	Mountain View	460,800	J.C. Penney	54	1966
5	Oakridge Mall	San Jose	800,500	Bullock's Macy's Montgomery Ward	115	1966
6	San Antonio	Mountain View	680,000	Liberty House Mervyn's Sears	58	1957
7	Stanford	Palo Alto	<u>1,175,000</u>	Bullock's Emporium Macy's	<u>128</u>	1955
Secondary Market Total			5,514,200		583	
Primary and Secondary Market Total			8,603,000		957	

SOURCES: San Jose Mercury News, Shopping Center Guide 1978-1980;
National Research Bureau, Shopping Center Guide Directory, 1979;
Telephone Interviews;
Questor Associates.

LOCATIONS OF REGIONAL SHOPPING CENTERS - SANTA CLARA COUNTY 1981



The largest shopping center in the secondary market area is Eastridge in eastern San Jose, having 1,601,000 square feet. Eastridge, constructed in 1971, is somewhat older than Vallco and Sunnyvale Town Center. Stanford Shopping Center is slightly larger than Vallco, having 1,175,000 square feet. Although originally built in 1955, subsequent renovations and expansions have created a modern appearance. Several other small malls are scattered throughout the secondary market area, primarily in San Jose.

An indication of how often shoppers in Santa Clara County visit each of these shopping centers is provided by a telephone survey performed by Belden Associates (a marketing survey research firm) for the San Jose Mercury News. Using a random cross-sample of adults who have shopped in a regional center at least once during the last 30 days, Belden estimates the percent of total adults in Santa Clara County who have visited each shopping center, as shown in Exhibits III-5 and III-6. In 1980, Vallco Fashion Park was the most popular regional shopping center in the County by a significant margin. Of the total adult population in the County, 38% shopped at Vallco during the one-month survey period. The next most popular shopping centers were Eastridge (30%), and Valley Fair (29%).

In addition to the regional shopping centers, two large specialty centers in the primary market area are important retail centers in western Santa Clara County. El Paseo de Saratoga in Saratoga contains 93 stores and approximately 200,000 square feet. The Prune Yard in Campbell contains 67 stores and approximately 300,000 square feet. Although these malls do not have major anchor tenants, they are popular with shoppers who are seeking somewhat more expensive or unusual merchandise than is found in the larger regional malls. The Prune Yard was visited by 38% of the adults in Santa Clara County during the survey period in 1980.

In order to evaluate the sales performance of these centers, Questor has obtained the annual taxable sales levels of the regional shopping centers in both the primary and secondary market areas for the period 1976 through 1979. Taxable sales do not include expenditures for services (for example, travel agencies and beauty parlors) or certain food and drug purchases, but they are a measure of each center's relative sales performance. Questor has standardized these annual volumes to 1979 dollars, as presented in Exhibit III-7. Although it was not possible to derive a reliable dollar volume per square foot figure, it is important to note that

Exhibit III-5

ADULTS SHOPPING ONE OR MORE TIMES IN THE LAST 30 DAYS
SANTA CLARA COUNTY SHOPPERS
1980

<u>Shopping Centers</u>	<u>Number (000s)</u>				<u>Percent of Total Adults In Santa Clara County</u>			
	<u>1976</u>	<u>1977</u>	<u>1979</u>	<u>1980</u>	<u>1976</u>	<u>1977</u>	<u>1979</u>	<u>1980</u>
Almaden Plaza	112	106	93	114	14%	13%	10%	12%
Capitol Square	56*	73	62	76*	6	9	7	8
Eastridge	324	304	269	273	39	37	30	30
El Paseo de Saratoga	53*	91	129	161	6*	11	14	17
Mayfield Mall	150	115	134	170	18	14	15	18
Oakridge Mall	98	99	226	212	12	12	25	23
Prune Yard	162	182	193	248	20	22	21	27
San Antonio	162	121	130	176	20	15	14	19
Stanford	126	98	130	142	15	12	14	15
Stevens Creek Plaza	121	108	107	175	15	13	12	19
Sunnyvale Town Center	—	—	136	196	—	—	15	21
Vallco Fashion Park	86	138	300	345	10	17	33	38
Valley Fair	243	242	229	266	29	30	26	29
Westgate	<u>195</u>	<u>198</u>	<u>222</u>	<u>219</u>	<u>24</u>	<u>24</u>	<u>25</u>	<u>24</u>
Total Shoppers	725	712	833	824	88	87	93	90
TOTAL Adults in Santa Clara County	824	818	818	920	100	100	100	100

* Small sample base.

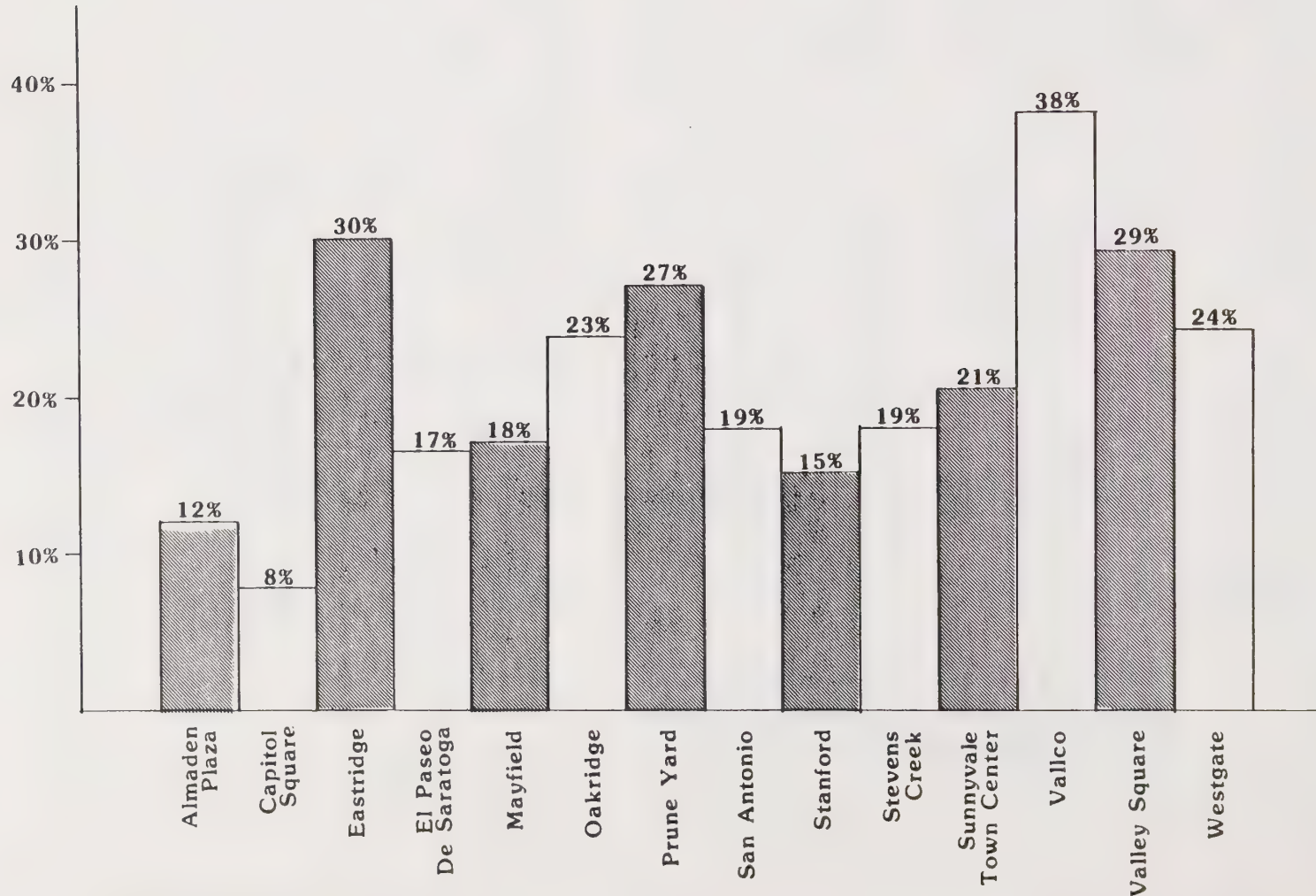
NOTES: (1) Face-to-face survey in 1976 and 1977;
Telephone survey in 1979 and 1980;

(2) Percents total over 100% due to one adult shopping at several centers.

SOURCES: San Jose Mercury News and Belden Associates, Shopping Center Shoppers, 1980;
Questor Associates.

Exhibit III-6

PERCENT OF ALL SANTA CLARA COUNTY ADULTS
WHO HAVE SHOPPED AT REGIONAL SHOPPING CENTERS*
1980



*During 30 day period survey

Sources: San Jose Mercury News, Shopping Center Shoppers, 1980; Questor Associates.

Exhibit III-7

TAXABLE SALES OF RETAIL STORES
FOR SELECTED SHOPPING CENTERS IN SANTA CLARA COUNTY
1976-1979 (dollars in thousands)

<u>Center</u>	<u>City</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>% Change 1976-1979</u>
Vallco Fashion Park**	Cupertino	\$ 52,574*	\$ 73,821	\$100,185	\$106,643	44.5%*
Eastridge	San Jose	145,699	145,535	140,234	131,542	-9.7
Stanford	Palo Alto	104,325	110,521	117,787	124,502	19.3*
San Antonio	Mountain View	70,861	73,472	73,669	71,059	0.3*
Oakridge	San Jose	22,755	22,378	39,154	66,193	190.9*
Valley Fair	San Jose	59,622	60,172	58,773	56,229	-5.7
Westgate	San Jose	53,543	50,728	61,434	54,974	2.7*
Stevens Creek Plaza	Santa Clara	38,102	37,870	36,662	35,222	-7.6
Mayfield Mall	Mountain View	36,459	35,140	34,485	31,244	-14.3
Almaden Plaza	San Jose	28,173	28,929	26,795	23,331	-17.2
Capitol Square	San Jose	21,730	22,881	22,780	22,562	3.8*
Sunnyvale Town Center	Sunnyvale	NA	NA	NA	18,964	NA

* Additional square feet added during 1976-1979 (substantial remodeling only for Capitol Square)

**Vallco not open for entire year in 1976; percent change is for the period 1977-1979.

NOTES: (1) Sales are expressed in constant 1979 dollars.
(2) Substantial increases in sales volume are partially a function of mall expansion, as denoted by asterisks.

SOURCES: San Jose Mercury News, Shopping Center Guide, 1976-1979;
Questor Associates.

all of the centers which experienced an increase in the real taxable sales volume also added additional square footage or were remodeled significantly. Those centers which did not expand during this period experienced a decrease in real taxable sales ranging from -5.7% for Valley Fair to -17.2% for Almaden Plaza.

Although this decrease in taxable sales volume corresponds with a nationwide trend over the past several years, these statistics do support the perception that regional shopping center retailing in Santa Clara County is highly competitive. Although the total County sales volume has been increasing, much of the volume in specific centers has been decreasing. It would appear that the physical expansion of some centers has been counterbalanced by a decrease in sales volume at centers which have remained the same size.

An important step in assessing the economic health of a retail market area is to estimate the expenditures which households within a market area can be expected to make, and compare those figures with the amount of sales revenue recorded by stores within the same area. If sales volumes are larger than estimated expenditures, then one can conclude that stores within the market area are drawing from beyond the market area boundaries. If expenditures are more than sales within the market area, then one can conclude that households within the market area are shopping in stores outside of the market area boundaries.

To estimate expenditures, Questor has used expenditure statistics developed by Urban Decision Systems, Inc. These statistics are based on the most recent nationwide survey of consumer spending patterns, completed by the U.S. Bureau of Labor Statistics in 1972-73. This survey isolated household expenditures by type of store and cross-tabulated them by a variety of geographic and demographic variables. Urban Decision Systems uses the results of this survey in conjunction with its demographic and income estimates to determine potential per capita expenditures in 1981. These estimated expenditure levels include both taxable and non-taxable goods. Using the Consumer Price Index for specific types of goods and adjusting for population change, Questor has estimated expenditure levels for 1980. This adjustment is necessary because 1980 is the most recent year for which taxable sales information is available.

To estimate taxable sales, Questor has used data collected by the California State Board of Equalization. Because this information is recorded by type of store for cities and

counties, the taxable sales for the primary and secondary market areas are approximated by aggregating jurisdictions within each market area. For example, the primary market area taxable sales are estimated by summing the taxable sales in Campbell, Cupertino, Santa Clara, Saratoga, and Sunnyvale. Taxable sales for all of these cities, except Saratoga, are compiled by the State Board of Equalization. Questor estimated the amount of taxable sales in Saratoga based upon Saratoga shopping center square footage. These figures are presented in Exhibit III-8. These statistics concerning the balance between expenditures and sales apply to both regional and local retail activities.

Except for convenience goods outlets such as grocery, drug, and liquor stores, both the primary and secondary market area appear to be drawing customers from outside the market area. This phenomenon can be explained in part by the following:

- ° Stanford Shopping Center is located on the perimeter of the secondary market area. Approximately 40% of Stanford's customers come from San Mateo County, and are therefore not included in the expenditure estimates.
- ° The expenditure figures are an estimate of the amount that the resident population within the market area would spend. The figures do not indicate the expenditures of persons employed within the market area. Estimates of the expenditure patterns by workers will be discussed in more detail in Section C, Future Market Trends.

The higher level of grocery and drugstore expenditures relative to sales is due to the large quantity of non-taxable goods purchased in such stores. Thus, the Board of Equalization figures are underestimates of total sales volume.

2. Local Cupertino Retail

In general, the market area for local retail in Cupertino can be considered to be the primary market area as defined above for regional shopping centers. During Questor's interviews, most Cupertino retailers identified a market area of two to three miles in diameter. Local retail activity in Cupertino centers around the intersection of Stevens Creek and De Anza Boulevards. On the north side of Stevens Creek there are several bank regional headquarters (Bank of America, Home

Exhibit III-8
EXISTING RETAIL MARKET
PRIMARY AND SECONDARY MARKET AREAS
(dollars in thousands)
1980

	Primary Market Area			Secondary Market Area			Total Market Area		
	Expenditures	Sales*	Sales-Exp.	Expenditures	Sales	Sales-Exp.	Expenditures	Sales	Sales-Exp.
Department Stores	\$164,782	\$234,560	\$69,778	\$ 304,778	\$ 507,546	\$202,768	\$ 469,560	\$ 742,106	\$272,546
Grocery	316,104	121,889	-194,215	621,168	263,746	-357,422	937,272	385,635	-551,637
Apparel (excluding footwear)	46,961	62,163	15,202	86,728	134,511	47,783	133,690	196,674	62,984
Shoe Stores	60,419	18,968	-41,451	24,739	41,043	16,304	85,219	60,011	-25,208
Jewelry	13,104	12,699	-405	23,054	27,479	4,425	36,158	40,178	4,020
Furniture (excluding appliances)	21,003	56,636	35,633	37,594	122,550	84,956	58,597	179,186	120,589
Appliances	10,257	33,914	23,657	19,225	73,384	54,159	29,482	107,298	77,816
Restaurant	168,091	191,877	23,786	295,808	415,188	119,380	463,900	607,065	143,165
Drug	50,061	39,873	-10,188	92,525	86,277	-6,248	142,586	126,150	-16,436
Liquor	47,822	35,220	-12,602	79,849	76,209	-3,640	127,671	111,429	-16,242
TOTAL**	<u>\$899,000</u>	<u>\$808,000</u>	<u>-\$91,000</u>	<u>\$1,585,000</u>	<u>\$1,748,000</u>	<u>\$163,000</u>	<u>\$2,484,000</u>	<u>\$2,556,000</u>	<u>\$ 72,000</u>

*Sales volumes are for taxable sales only.

**Rounded to nearest million dollars.

NOTE: Taxable sales for the Primary Market Area are the sum of sales in Campbell, Cupertino, Santa Clara, Saratoga, and Sunnyvale. Taxable Sales for the Secondary Market Area are the sum of sales in Los Altos, Los Gatos, Milpitas, Mountain View, Palo Alto, and San Jose.

SOURCES: Urban Decision Systems, Inc.;
California Board of Equalization;
Questor Associates.

Savings & Loan), a Gemco discount store, an Alpha Beta supermarket, and several restaurants (Sizzler Steak House, The Good Earth health food restaurant, the Magic Wok Chinese restaurant). On the south side of Stevens Creek is the Cupertino Crossroads shopping center. A current tenant list for this center is found in Exhibit III-9. The stores offer a varied selection of goods, ranging from catalog merchandise to high-fashion women's apparel.

The remainder of local retail in Cupertino is generally found in strip shopping centers devoted to convenience goods and services, such as grocery stores, dry cleaners, beauty parlors, and drugstores. An exception to this pattern is The Oaks, a specialty shopping center with landscaped grounds across from De Anza College on Stevens Creek Boulevard.

Questor interviewed local Cupertino retailers to obtain their opinions concerning a possible Vallco expansion. No strong consensus of opinion emerged during these interviews. Some believe that a Vallco expansion would decrease the amount of foot traffic in front of their stores, while others perceive a larger Vallco as being an incentive for more people to shop throughout Cupertino in general. Some retailers tend to lose customers to the regional malls at night and during the winter. A sizeable traffic volume at lunchtime is generated by the daytime worker population. Most retailers that were in existence when Vallco originally opened in the late 1970s reported that they experienced an initial drop in sales volume when Vallco opened, but that their original sales levels were regained within a year.

C. FUTURE MARKET TRENDS

In light of the existing retail market situation, Questor has examined likely future trends in 1) the growth in demand for retail outlets, and 2) the growth in retail space supply, both in Cupertino and throughout the two market areas.

1. Growth in Retail Demand

Questor has looked at two sources of growth in the demand for retail activity:

Exhibit III-9

TENANT LIST
CUPERTINO CROSSROADS SHOPPING CENTER
1981

Bottom Line Footwear
Crocker Bank
Drapery World
Golden Horn Restaurant
Harryman's Clothes
House of Large Sizes
Huston's Gifts
Jerry's Levis
Kessler's Catalog Showroom
Loral Wigs
Marie Callender's Restaurant
McNett's Microwave Cooking
Mervyn's
Montgomery Place Beauty Parlor
Morris Fabrics
Pablo's Mexican Restaurant
Realty World
Scotty's Cleaners
The Shirtworks
Sun & Soil Natural Foods
Topa Thrift and Loan Company

SOURCE: Questor Associates.

- (1) Demand growth due to increases in the resident population; and,
- (2) Demand increase due to increases in the worker population.

The process for calculating additional expenditures attributable to increased population is displayed in Exhibit III-10. Annual per capita expenditures, as determined by Urban Decision Systems, Inc., are estimated by store type. The population growth increments for each market area are drawn from the demographic projections developed in Section II of this report. Using these two numbers, one can derive the total additional annual expenditures resulting from population growth:

$$\begin{array}{rcl} \text{Annual Per Capita} & & \text{Additional} \\ \text{Expenditures} & \times & \text{Population} \\ & & = \text{Additional Annual Expenditures} \end{array}$$

Once the additional annual expenditures have been computed, the dollar sales volume can be converted into an equivalent number of square feet by using a retail performance ratio. A retail performance ratio is the typical annual dollar volume per square foot generated by different types of stores. As noted in Exhibit III-10, for example, the typical department store in a regional mall averages approximately \$170 in sales per square foot each year. Thus, an equivalent number of square feet can be calculated from annual expenditures using the following formula:

$$\frac{\text{Additional Annual Expenditures}}{\text{Performance Ratio}} = \frac{\text{Number of Square Feet Needed to Accommodate Additional Expenditures}}{1}$$

In this way, the number of square feet which can be supported by population growth for restaurants, department stores, apparel stores, shoe stores, and jewelry stores can be computed for each market area. In order to estimate the total number of square feet of regional shopping center stores in general, Questor examined the typical square foot ratio of specific store types in relation to total regional center square feet. For example, department stores traditionally constitute between 50% and 60% of total shopping center space. Using these average percentages, it is possible to derive the total shopping center space (excluding restaurants) which could be supported by population growth. This number amounts to 29,900 square feet for the primary market area, and 312,500 square feet for the secondary market area.

Exhibit III-10

GROWTH IN EXPENDITURES
DUE TO POPULATION GROWTH
PRIMARY AND SECONDARY MARKETS
1980-1986

	PRIMARY MARKET AREA				SECONDARY MARKET AREA			
	<u>Annual Per Capita Expenditures (1)</u>	<u>Additional Population (2)</u>	<u>Additional Annual Expenditures</u>	<u>Square Feet Needed to Accommodate Growth (3)</u>	<u>Annual Per Capita Expenditures (1)</u>	<u>Additional Population (2)</u>	<u>Additional Annual Expenditures</u>	<u>Square Feet Needed to Accommodate Growth (3)</u>
Restaurants	\$456	5,297	\$2,415,432	13,400	\$390	66,383	\$25,889,370	143,800
Other Regional Shopping Center Retail Stores (4)	N.A.	5,297	N.A.	29,900	N.A.	66,383	N.A.	312,500
Department Stores	447	5,297	2,649,369	15,600	401	66,383	26,619,583	156,600
Apparel Stores	162	5,297	858,114	5,200	147	66,383	9,758,301	59,150
Shoe Stores	35	5,297	185,395	1,100	33	66,383	2,190,639	12,900
Jewelry Stores	36	5,297	190,692	550	30	66,383	1,991,490	5,700

- NOTES: (1) Based on 1981 expenditure patterns as estimated by Urban Decision Systems, Inc., and adjusted to 1980 using the CPI for San Francisco SMSA as appropriate to each store type.
- (2) 1980 population levels for Market Areas are estimated by adjusting 1981 figures by 1980-1981 population growth rate of Santa Clara County.
- (3) Based on typical annual performance ratios of \$180/sq.ft. for restaurants; \$170/sq.ft. for department stores; \$165/sq.ft. for apparel stores; \$170/sq.ft. for shoe stores; and \$350/sq.ft. for jewelry stores (Urban Land Institute, Dollars and Cents of Shopping Centers, 1980; information from Vallco Fashion Park).
- (4) Square feet of other retail stores is calculated based on the typical square feet of department store, apparel store, shoe store, and jewelry store space in a regional mall as a percent of total mall space (75%).

SOURCE: Questor Associates.

The "mall shop" space could be found either within a large regional mall or within smaller specialty centers and strip developments. Restaurants are calculated separately, since restaurants are typically not a major component of regional shopping centers. Restaurant space is more likely to locate in free-standing buildings outside of regional shopping centers. Likewise, demand for grocery and convenience stores is underestimated since a large portion of these expenditures are typically made outside of regional malls.

The second source of expenditure growth is increasing employment. Figures for calculating the growth in expenditures due to increased employment are found in Exhibit III-11. These figures are based on a 1978 survey of U.S. urban workers' expenditure patterns near place of work, but have been updated using the Consumer Price Index for the San Francisco SMSA. On average, the typical worker spends approximately \$600 at restaurants near his/her place of work each year, and \$400 at other retail stores. The number of additional employees for each market area can be calculated by using the numbers derived in Section II of this report. Using these two statistics, one can calculate the additional annual expenditures generated by employment growth:

$$\begin{array}{ccccc} \text{Annual Per Capita} & \times & \text{Number of Additional} & = & \text{Additional} \\ \text{Expenditures} & & \text{Employees} & & \text{Annual Expenditures} \end{array}$$

Once the additional annual expenditures are derived, one can compute the number of square feet necessary to accommodate this growth by using the performance ratios as described above. The formula for these calculations is as follows:

$$\frac{\text{Additional Annual Expenditures}}{\text{Performance Ratio}} = \frac{\text{Square Feet Needed to Accommodate Additional Expenditures}}{1}$$

These figures for the primary market total 131,850 square feet of restaurant space and 105,500 square feet of other retail activity. The demand in the secondary market is somewhat larger, with 308,900 square feet of restaurant space and 247,100 square feet of other retail stores.

The estimated expenditures for restaurants by both the resident and the worker populations is not necessarily confined to regional shopping malls. Much of this spending will likely occur in restaurants and employee cafeterias not located on mall sites. The expenditures of workers in other

Exhibit III-11

GROWTH IN EXPENDITURES
DUE TO EMPLOYMENT GROWTH
PRIMARY AND SECONDARY MARKETS
1980-1986

		PRIMARY MARKET			SECONDARY MARKET		
		<u>Additional</u>	<u>Additional</u>	<u>Square Feet</u>	<u>Additional</u>	<u>Additional</u>	<u>Square Feet</u>
	<u>Annual</u> <u>Per Capita</u> <u>Expenditure (1)</u>	<u>Employees (2)</u>	<u>Annual</u> <u>Expenditures</u>	<u>Needed to</u> <u>Accommodate</u> <u>Growth (3)</u>	<u>Employees (2)</u>	<u>Annual</u> <u>Expenditures</u>	<u>Needed to</u> <u>Accommodate</u> <u>Growth (3)</u>
Restaurants	\$600	39,557	\$23,734,200	131,850	92,667	\$55,600,200	308,900
Other Retail Stores	\$400	39,557	\$15,822,800	105,500	92,667	\$37,066,800	247,100

- NOTES: (1) Based on spending patterns of urban workers near place of work, as determined by a nationwide survey in 1978 (Roca, Ruben A., Market Research for Shopping Centers, 1980), and updated to 1980 using the CPI for the San Francisco SMSA.
- (2) 1980 employment levels for Market Areas are estimated by adjusting 1981 figures by 1980-1981 employment growth rate of Santa Clara County.
- (3) Based on typical annual performance ratios of \$180/square foot for restaurants and \$150/square foot for other retail (Urban Land Institute, Dollars and Cents of Shopping Centers, 1980; information from Vallco Fashion Park).

SOURCE: Questor Associates.

retail stores is not necessarily confined to malls, although the shopping patterns of typical Santa Clara County adults as described elsewhere in this report would suggest that a large portion of worker expenditures would be made in regional malls.

Since net population and employment growth between 1986 and 1990 is expected to moderate considerably, as explained in Section II, calculations of additional demand during this period are not presented. The implications of significant growth during 1986-1990 are discussed in the conclusion of this section.

These projections are conservative estimates of the potential growth in expenditures and the square feet needed to meet that growth, for the following reasons:

- ° Expenditures are based on per-capita figures and do not allow for:
 - 1) increases in real income,
 - 2) increases in disposable income as a percent of total income,
 - 3) changes in per capita expenditure patterns as household size and worker composition changes.
- ° The performance ratios used are typical of regional shopping centers, which generally have higher sales volumes per square foot than community shopping centers. These high performance ratios result in conservative estimates of total space needed.
- ° The estimate of "mall shop" demand generated by increased population excludes demand for outlets which might locate in strip shopping

centers, such as 1) grocery and convenience stores, and 2) services; for example, banks and travel agencies.

2. Growth in Retail Supply

In order to place the expenditure projections developed above into perspective, Questor has also investigated likely additions to retail space supply over the next five years. A summary of planned regional shopping center projects is presented in Exhibit III-12. Within the primary market area, four shopping centers (including Vallco) are considering expansions before 1986. In the secondary market area, three shopping centers have expansions planned. Most of the expansions are directed toward the high end of the market: anchor tenant stores will likely be high-fashion outlets, while the mall shops will sell higher quality merchandise than the average mall store. No new malls are planned.

Based on the information available for the planned projects, Questor has projected the additional square feet of department stores and mall shops to be built by 1986. Approximately 430,000 square feet of department store space will be added in the primary market area and 300,000 square feet in the secondary market area. Approximately 410,000 square feet of mall shops will be added in the secondary market area. These figures are shown in Exhibit III-13.

In addition to the specific planned projects, the amount of vacant, commercially zoned land in the County must also be taken into consideration. As of 1979, San Jose and Milpitas had 719 and 325 acres of vacant commercially zoned land, as shown in Exhibit III-14. Morgan Hill, Gilroy, Santa Clara, Sunnyvale, and Cupertino each has over 50 acres of commercially zoned, vacant land, while the rest of the cities in the County have relatively small potential for commercial development.

3. Future Market Balance

A comparison of the planned additions to retail supply and the growth in consumer expenditures provides an indication of whether the retail market in Santa Clara County will be in balance during the next five years. It is important to point out that restaurant demand calculations are based on total

Exhibit III-12

PLANNED ADDITIONS TO REGIONAL SHOPPING CENTERS
PRIMARY AND SECONDARY MARKET AREAS
1980-1986

Primary Market Area			
<u>Name of Shopping Center</u>	<u>Type of Expansion</u>	<u>Gross Leasable Square Feet</u>	<u>Anticipated Opening Date</u>
Vallco Fashion Park	Anchor Tenant Mall Shops	150,000 100,000 (approximately)	Subject to City Approval
Sunnyvale Town Center	Anchor Tenant (high-end)	130,000 (approximately)	1984
Valley Fair/Stevens Creek	Anchor Tenant (Nordstrom's) Mall Shops	150,000 <u>310,000</u>	1983
Westgate	Expansion Under Consideration		N.A.
Primary Market Total		840,000	
Secondary Market Area			
<u>Name of Shopping Center</u>	<u>Type of Expansion</u>	<u>Gross Leasable Square Feet</u>	<u>Anticipated Opening Date</u>
Almaden Plaza	Expansion Planned	N.A.	N.A.
San Antonio	Anchor Tenant Mall Shops	120,000 80,000	1986
Stanford	Anchor Tenant (probably Neiman-Marcus)	<u>130,000</u>	1984
Secondary Market Total		330,000	
Primary and Secondary Market Total		1,170,000	

SOURCE: Telephone interviews;
Questor Associates.

Exhibit III-13

GROWTH IN RETAIL SUPPLY, IN SQUARE FEET
PRIMARY AND SECONDARY MARKETS
1980-1986

	<u>Primary Market</u>	<u>Secondary Market</u>
Department Stores	430,000	250,000
Mall Shops	410,000	80,000
Apparel Stores	164,000	32,000
Shoe Stores	24,600	4,800
Jewelry Stores	8,200	1,600
Restaurants	24,600	4,800
Other Shops	188,600	6,800

NOTE: Square footage by store type is estimated by applying typical ratios of store size to total mall shop square footage in Santa Clara County regional shopping centers. Apparel stores are approximately 40% of mall shop square feet; shoe stores, 6%; jewelry stores, 2%; and restaurants, 6%.

SOURCE: Questor Associates.

Exhibit III-14

COMMERCIAL EMPLOYMENT POTENTIAL
SANTA CLARA COUNTY CITIES
1979

<u>City</u>	<u>Vacant Land Zoned Com- mercial Acres</u>	<u>Job Capacity Assuming 30 Employees Per Acre on Vacant Commercial Land</u>
Palo Alto	10	300
Mt. View	30	900
Sunnyvale	72	2,160
Santa Clara	97	2,910
Cupertino	56	1,680
Los Altos	6.6	198
Los Altos Hills	0	0
Milpitas	325	9,750
San Jose	719	21,570
Campbell	33	990
Los Gatos	24	720
Saratoga	18	540
Monte Sereno	0	0
Morgan Hill	124	3,720
Gilroy	100	3,000
TOTAL	1,614	48,438

SOURCES: The Santa Clara County Manufacturing Group,
Vacant Land in Santa Clara County, 1980;
Questor Associates.

restaurant spending by households and workers. Since, traditionally, restaurants comprise a relatively small percentage of mall space, the restaurant demand numbers will be significantly higher than the planned mall restaurant space.

In the primary market area, 135,400 square feet of additional mall shop retail space and 145,250 square feet of additional restaurant space can be accommodated by population and employment growth. These figures compare with 815,400 square feet of planned mall retail space and 24,600 square feet of planned mall restaurant space, as shown in Exhibit III-15. In the secondary market area, 559,600 square feet of mall retail space and 452,700 square feet of restaurant space can be accommodated by population and employment growth. These figures compare with 375,200 square feet of planned mall retail space and 4,800 square feet of planned mall restaurant space. It should be noted that much of the employee-generated restaurant demand may be met by employee cafeterias, which can meet employee demand with a smaller number of square feet than conventional restaurants.

The above statistics are more easily interpreted when both market areas are combined. The primary and secondary market areas together roughly comprise the urbanized area of Santa Clara County. Summary statistics for this area are presented in Exhibit III-16.

From these figures, it would appear that approximately 500,000 square feet of the planned mall construction would need to be supported by households and/or employment growth outside of the market area. Secondly, it is clear that there is a strong demand for restaurant space outside of mall areas.

D. EVALUATION OF PROPOSED GROWTH SCENARIOS.

At present, the City of Cupertino has approximately 3,224,321 square feet of existing and approved commercial space.(1) The existing General Plan would allow for an increase of 11% by final build-out over this existing level, the increased intensity plan would permit an increase of 83% and the intermediate intensity plan would permit an increase of 12%.

(1) According to estimates by the Cupertino City Planning Department.

Exhibit III-15

RETAIL MARKET EVALUATION
PRIMARY AND SECONDARY MARKET AREAS
1980-1986

<u>Incremental Demand</u>		<u>Primary Market</u>	<u>Secondary Market</u>
Additional square feet needed to meet population growth	Total		
	Restaurant	13,400	143,800
	Other Mall		
	Retail	29,900	312,500
Additional square feet needed to meet employment growth	Total		
	Restaurant	131,850	308,900
	Other Mall		
	Retail	105,500	247,100
Total additional square feet needed to meet growth	Restaurant	145,250	452,700
	Other Mall Retail	135,400	559,600
<u>Incremental Supply</u>			
Additional square feet planned	Mall		
	Restaurant	24,600	4,800
	Other Mall		
	Retail	815,400	375,200

SOURCE: Questor Associates.

Exhibit III-16

RETAIL MARKET EVALUATION
URBANIZED AREA OF SANTA CLARA COUNTY*
1980-1986

	<u>Mall Retail</u>	<u>All Restaurants</u>
Total additional square feet, as needed to meet population and em- ployment growth	695,000	598,000
Additional square feet planned in malls	1,190,600	29,400

* Primary and Secondary Market Areas.

SOURCE: Questor Associates.

The decreased intensity plan would effectively freeze the amount of commercial space at the existing level. A summary of the four Plan scenarios with respect to commercial construction is presented in Exhibits III-17 and III-18.

Based on Questor's analysis, it is clear that there is demand for both general retail and restaurant space in the Cupertino market area. It should be noted, however, that only approximately 1,300,000 square feet of retail and restaurant space can be accommodated by population and employment growth throughout the urbanized portion of Santa Clara County(1) by 1986. Thus, while the decreased Intensity Plan is inappropriate in light of expected growth, the almost 2,000,000 square feet figure allowed under the increased intensity plan would appear to be a high maximum figure. Assuming that Cupertino would be able to capture 30% of the additional retail demand growth, a plan limit of approximately 400,000-500,000 square feet would be appropriate over the next five years. This 30% figure is based on:

1. Vallco and Stevens Creek are the only two major shopping center expansions anticipated over the next five years;
2. The probability of an entirely new mall being constructed in the market area is low; and
3. Vallco has a reputation as a strong marketing competitor.

Thus, Questor believes that a 30% capture rate is a reasonable assumption. In light of tendencies among Santa Clara mall shoppers to travel countywide to make purchases, the 30% capture rate is applied to both the primary and the secondary market area expenditures. The proposed Vallco expansion would likely have sufficient drawing power to attract shoppers from throughout the County. Thus, the existing General Plan and the intermediate intensity plan have a high degree of market feasibility. Implications concerning the impacts on local retail of primary and secondary market growth is discussed later in this section.

Projections beyond this five-year time frame are extremely difficult to make. The ability for the market areas to absorb more space will depend upon the amount of residential

(1) The primary and secondary market areas combined.

Exhibit III-17

COMPARATIVE LAND USE SUMMARY
COMMERCIAL CONSTRUCTION
CUPERTINO
January, 1982

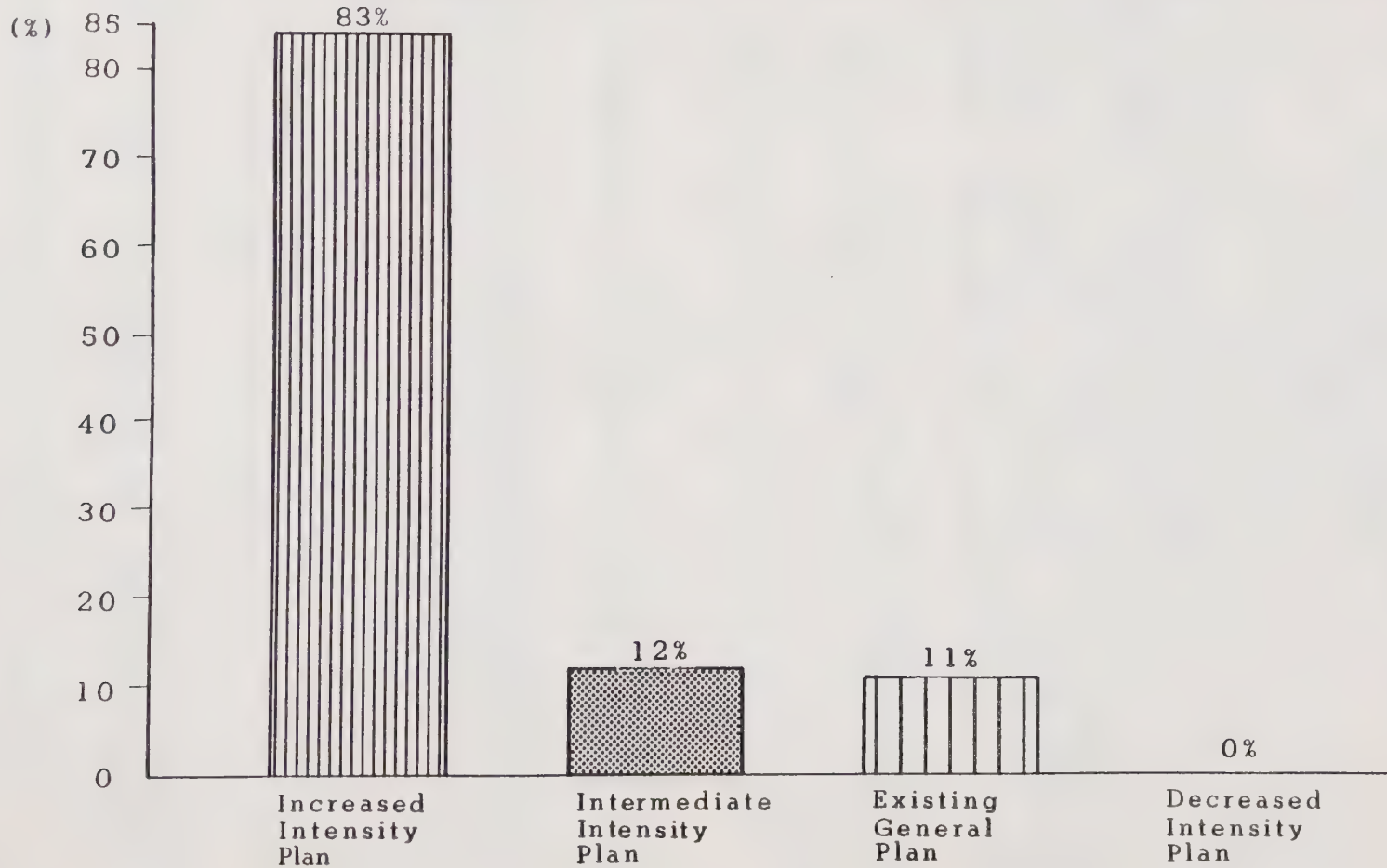
	<u>Increased Intensity Plan</u>	<u>Intermediate Intensity Plan</u>	<u>Existing General Plan</u>	<u>Decreased Intensity Plan</u>
Existing/Approved Construction in sq.ft.	3,224,321	3,224,321	3,224,321	3,224,321
Additional New Construction in sq.ft.	2,663,222	399,207	345,022	(13,478)
Additional Construction as % of Existing/Approved	83%	12%	11%	0%
Total Buildout, in square feet	5,887,543	4,261,528	3,569,343	3,210,843

NOTE: Increased and Intermediate Intensity Plans include 638,000 square feet of hotel space.

SOURCES: City of Cupertino Planning Department;
Questor Associates.

Exhibit III-18

ADDITIONAL CONSTRUCTION AS PERCENT OF EXISTING / APPROVED CONSTRUCTION
COMMERCIAL CONSTRUCTION - CUPERTINO 1982



NOTE: PERCENTS CALCULATED ON THE BASIS OF SQUARE FEET.

SOURCE: QUESTOR ASSOCIATES.

and employment growth which the cities in the Santa Clara Valley permit after 1986. Depending upon changes in average household size, the number of persons in the market areas could remain constant as the number of households increase. Thus, while population growth might be static, more households would result in a larger volume of household-based retail expenditures. Although projections indicate that this population and employment growth will be relatively low, it would seem wise to reassess the General Plan in another five years to determine the likelihood of higher demand than projected in this report.

With respect to impacts on specific shopping centers, the expansion of Vallco Fashion Park in particular would have a negative impact on Sunnyvale Town Center and the Valley Fair/Stevens Creek project. In addition, El Paseo de Saratoga and The Prune Yard would be negatively impacted depending upon whether Vallco's additional stores matched their specialty offerings. As can be seen from the survey undertaken in 1980 as shown in Exhibit III-19, shoppers at Vallco frequently shop at Valley Fair, Sunnyvale Town Center, The Prune Yard, and Westgate when not at Vallco. Approximately 63% of Sunnyvale Town Center shoppers and 55% of Valley Fair shoppers shop at Vallco.

Sunnyvale Town Center has had a relatively slow start-up period since its construction in the late 1970s, and therefore would seem to be the most severely impacted by Vallco's expansion. The Valley Fair/Stevens Creek project, although at present out-dated in design and smaller in size than Vallco, will be completely renovated and converted into a high-quality mall within several years. The developer of this project, the Ernest J. Hahn Company, as well as the Vallco management, are known to be effective and strong competitors in the retail market. It can be assumed that Vallco and Valley Fair will compete heavily for the increased retail activity resulting from population and employment growth.

Vallco's large supply of vacant land is a strong asset in the competitive retail market of Santa Clara County. Vallco has the opportunity to develop a major mixed-use project, which would improve the image and increase the drawing power of the shopping mall. In addition, the on-site office/industrial employees and hotel guests would add to the area's retail expenditure level.

Thus, the major negative impacts of Vallco's expansion will fall on centers outside of the City of Cupertino. The local

Exhibit III-19

CROSS SHOPPING PATTERNS
SANTA CLARA COUNTY SHOPPERS*
1980

<u>Shopping Centers</u>	<u>Where Vallco Fashion Park's shoppers shop when they are not at Vallco Fashion Park</u>	<u>Where Sunnyvale Town Center's shoppers shop when they are not at Sunnyvale Town Center</u>	<u>Where Valley Fair's shoppers shop when they are not at Valley Fair</u>
	<u>1980</u>	<u>1980</u>	<u>1980</u>
Almaden Plaza	9%	3%	17%
Eastridge	25	20	36
El Paseo de Saratoga	34	17	32
Mayfield Mall	21	34	12
Oakridge Mall	21	11	31
Old Mill	23	33	15
Prune Yard	38	20	53
San Antonio	20	35	9
Stanford	19	19	15
Stevens Creek Plaza	28	24	46
Sunnyvale Town Center	36	—	18
Town & Country Village-San Jose	32	19	46
Vallco Fashion Park	—	63	55
Valley Fair	43	25	—
Westgate	37	14	46

* Age 18 and over.

Note: Multiple answers accepted; figures do not necessarily equal 100%.

SOURCES: San Jose Mercury News and Belden Associates, Shopping Center Shoppers 1980;
Questor Associates.

impacts, however, will be mixed. At present, it would appear that the Stevens Creek Boulevard area is becoming focused around three major retail types:

- 1) discount goods,
- 2) convenience goods,
- 3) specialty goods.

The discount outlets (such as Gemco and, to a certain extent, Kessler's) serve a different market than Vallco. The business which these stores might lose from the Vallco expansion would probably be counterbalanced by more people being drawn into Cupertino due to Vallco's becoming a more important shopping center in the Santa Clara County market. Convenience stores serve the residential population, and it is unlikely that these outlets would be seriously affected by Vallco's expansion. Specialty stores — especially the high quality apparel stores found in The Crossroads and The Oaks — could be negatively impacted by the Vallco expansion. Vallco's becoming a more popular center would reduce foot traffic in these areas, particularly at night.

Questor's analysis shows that the increase in employment, particularly in the Vallco Industrial Park, would create demand for a sizeable amount of restaurant (and perhaps entertainment) space. This demand would be especially strong if the hotel proposal for Vallco Industrial Park were approved. Although it would appear that a high level of additional retail activity cannot be supported at present along Stevens Creek Boulevard, it is likely that in the future additional restaurant and entertainment facilities will be needed. Although some of these facilities may be found in Vallco Fashion Park and in the office and hotel buildings themselves, it is likely that there will be a strong market for these types of outlets off the Park premises but within a five to ten minute drive. Such retail activity would be supported largely by growth in the primary market area. To a limited extent, however, Stevens Creek retail will benefit from the additional shoppers drawn to the Vallco complex from the secondary market area.

Approximately 600,000 square feet of restaurant space could be absorbed in the County by 1990. The capture rate for restaurant expenditures can be expected to be below that of general retail, since the opportunities for constructing a free-standing restaurant are greater than those for building or expanding a shopping mall. Questor would recommend, therefore, that the City consider the possibility of a 100,000

to 200,000 square feet.(1) restaurant/entertainment/specialty center along Stevens Creek Boulevard once the employment and hotel/convention center has become operational. Although Questor has not quantified entertainment expenditures in this report, the extent of the demand for such a center will be influenced by 1) the success of the Vallco project, 2) the amount of office space constructed in the Stevens Creek/Crossroads area, and 3) the amount of entertainment space, e.g., movie theaters, constructed in the Vallco project. The viability of Stevens Creek as a retail center would be enhanced by additional employment within walking distance.

(1) This retail center, in addition to Vallco's expansion, approximately equals the 400,000 to 500,000 square feet of additional commercial space proposed by Questor as an appropriate rate of growth during the next five years.

IV. OFFICE SPACE MARKET IMPACT ANALYSIS

Questor has examined the market for office space throughout Santa Clara County with specific reference to the type of tenants which may be drawn to Cupertino in the future. This analysis has included 1) the gathering of quantitative data in the form of absorption rates and rent levels, and 2) interviews with the major office space leasing agents in the County.

A. MARKET AREA DEFINITION

Office space occupancy in Santa Clara County is heavily dependent upon the high-technology industries which dominate the Silicon Valley economy. The primary and secondary market distinctions which are useful in analyzing the retail markets are not appropriate to the office market, in that typical office tenants are sufficiently mobile to locate throughout a relatively wide area. Therefore, one overall market area for office space has been determined through interviews with office space leasing agents.

Santa Clara County is the most appropriate market area for examining the office space trends which would influence development in Cupertino. Although some high-technology industry is located in the southern portion of Alameda and San Mateo Counties, the majority of high-technology office development continues to be within Santa Clara County. The principal office space brokers have divided the County into several sub-markets, however, and Questor has gathered statistics on these regions within the total market area. These sub-markets are as follows:

- ° North County, which includes Palo Alto, Mountain View and Los Altos;
- ° Mid-County, which includes Sunnyvale and Santa Clara;
- ° West Valley, which includes Campbell, Cupertino, and Los Gatos; and ,

- ° The City of San Jose, which is subdivided into San Jose Metro Center, Alameda/North First Street Area, and South San Jose.

The boundaries of these areas are shown in Exhibit IV-1.

B. EXISTING MARKET CONDITIONS

Before 1960, the majority of office construction in the County was built within the City of San Jose. During the 1960s, office construction spread to the areas in which high-technology industry was beginning, such as the North County and Mid-County areas. During the 1970s, however, Cupertino in particular experienced a surge in office growth. For example, during 1970-1974, 447,000 square feet were built in the West Valley area, which includes Campbell, Cupertino, and Los Gatos. An historical summary of office construction in Santa Clara County is presented in Exhibit IV-2. A distribution of the dollar value of office building permits by city is presented in Exhibit IV-3. During the period 1972-1979, Cupertino had the fifth highest dollar total in building permit activity of cities in Santa Clara County.

The absorption rate is equal to the amount of gross square feet leased during the year within a certain geographical area. Absorption rates are an indication of both the magnitude of demand and the level of construction activity. A summary of office space absorption rates for both the West Valley area and Santa Clara County is presented in Exhibit IV-4.

Absorption of office space in the West Valley reached a peak of 432,000 square feet in 1978, corresponding with Santa Clara County's peak during this period of 1,170,120 square feet. Office leasing agents advise that absorption rates are largely a function of construction activity, and thus the amount of space leased is largely dependent upon the amount of space available. The West Valley area has traditionally accounted for a substantial percentage of the total County's absorption, with a peak of 44.5% in 1976.

Questor has gathered recent vacancy statistics which reflect the amount of square feet available for lease in different

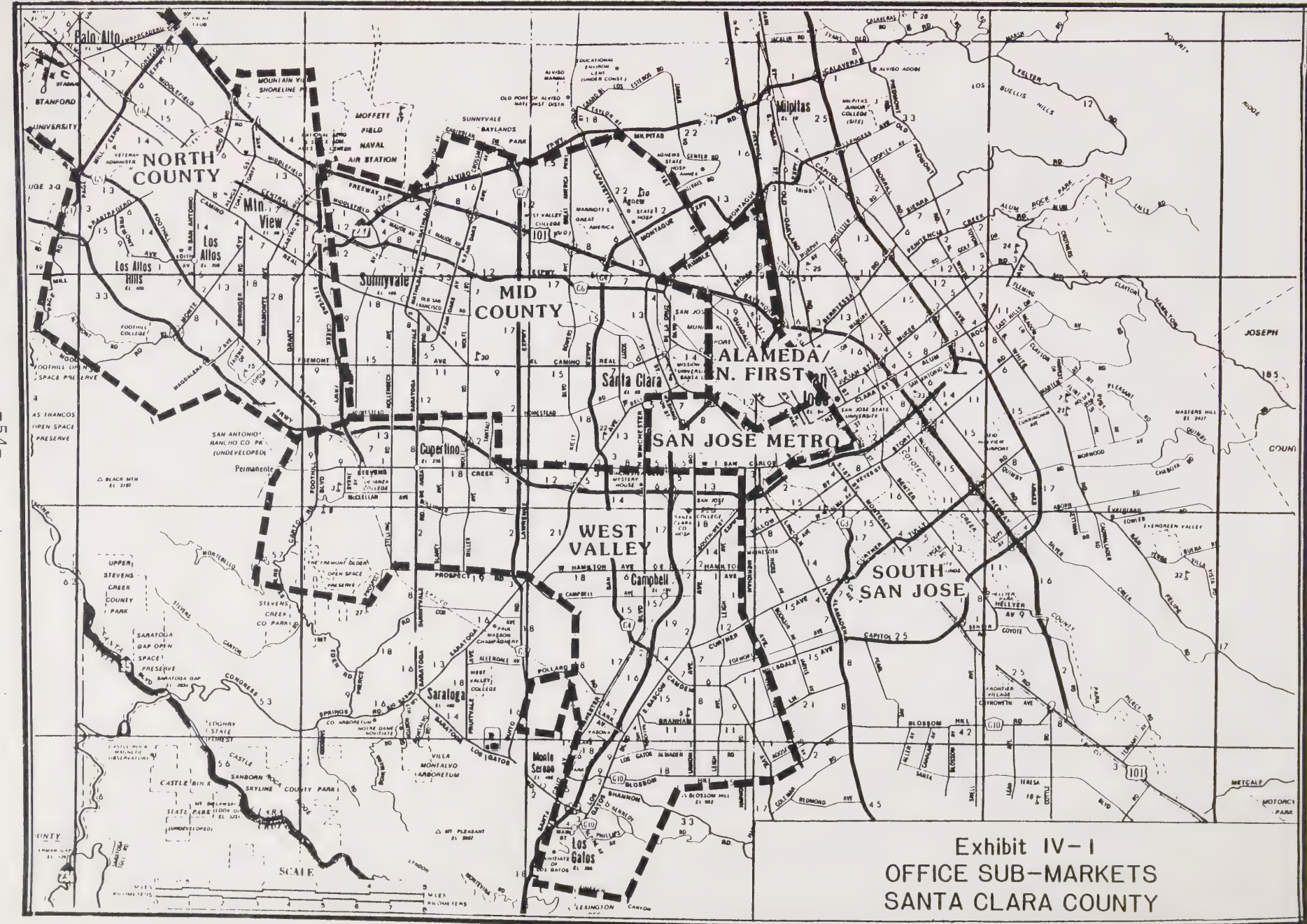


Exhibit IV-1
OFFICE SUB-MARKETS
SANTA CLARA COUNTY

Exhibit IV-2

GROWTH OF OFFICE SPACE IN SANTA CLARA COUNTY THROUGH 1979

Rentable Square Feet of Office Space Added in
Buildings or Projects of 30,000 Square Feet or More

Years	North County(1)		Mid County(2)		West Valley(3)		San Jose(4)		Total	
	Square Feet	Number of Buildings	Square Feet	Number of Buildings	Square Feet	Number of Buildings	Square Feet	Number of Buildings	Square Feet	Number of Buildings
pre-1960							448,000	7	448,000	7
1960-1964	31,000	1					315,000	4	346,000	5
1965-1969	204,000	1	34,000	7			443,000	9	681,000	17
1970-1974	580,000	16	279,000	10	447,000	22	1,770,000	37	3,076,000	85
1975-1979	222,000	9	359,000	16	352,000	10	958,000	23	1,891,000	58
TOTAL	1,037,000	27	672,000	33	799,000	32	3,934,000	80	6,442,000	172

NOTES: (1) Palo Alto, Mountain View and Los Altos.
(2) Sunnyvale and Santa Clara.
(3) Campbell, Cupertino and Los Gatos (excludes West Valley portion of San Jose).
(4) Includes San Jose Metro Center, Alameda/W. First Street, West Valley San Jose and South San Jose areas.

SOURCES: Compiled by ABAG from office surveys provided by MacMillan, Moore and Buchanan, Cushman and Wakefield, and San Jose Chamber of Commerce; Questor Associates.

Exhibit IV-3

GROWTH OF OFFICE CONSTRUCTION IN SANTA CLARA COUNTY
1972-1979

City	Value of Office Building Permits Filed (In Constant 1972 Dollars)		
	1972-1975	1976-1979	1972-1979
Campbell	6,135,000	2,806,000	8,941,000
Cupertino	5,092,000	6,817,000	11,909,000
Gilroy	1,759,000	1,615,000	3,374,000
Los Altos	2,753,000	2,347,000	5,100,000
Los Altos Hills	0	0	0
Los Gatos	3,397,000	5,709,000	9,106,000
Milpitas	1,305,000	5,314,000	6,619,000
Monte Sereno	0	0	0
Morgan Hill	551,000	1,113,000	1,664,000
Mountain View	3,665,000	5,298,000	8,963,000
Palo Alto	17,595,000	38,863,000	56,458,000
San Jose	51,633,000	44,885,000	96,518,000
Santa Clara	7,900,000	7,201,000	15,101,000
Saratoga	134,000	833,000	967,000
Sunnyvale	8,181,000	10,830,000	19,011,000
Unincorporated Areas	7,729,000	1,060,000	8,789,000
COUNTY TOTAL	117,829,000	134,691,000	252,520,000

NOTE: Current dollars were adjusted using an annual construction cost index for office buildings in Northern California provided by the Americal Appraisal Company.

SOURCES: Compiled by ABAG from U.S. Department of Commerce,
annual building permits data;
Questor Associates.

Exhibit IV-4

ABSORPTION* RATE TRENDS
SANTA CLARA COUNTY, WEST VALLEY AREA
1975-1980
(In Square Feet)

<u>Year</u>	<u>West Valley Area</u>	<u>Santa Clara County</u>	<u>West Valley Area as Percent of Santa Clara County Total</u>
1975	161,000	470,000	34.3%
1976	236,000	530,000	44.5
1977	295,000	730,000	40.4
1978	432,000	1,170,120	36.9
1979	375,000	1,242,900	30.2
1980	322,845	1,374,609	23.5

* Absorption equals gross leasable square feet leased during the year.

NOTE: Figures are based on inventory of buildings of 30,000 or more square feet, and built no earlier than 1962.

SOURCES: MacMillan, Moore, & Buchanan, Inc.;
Questor Associates.

areas of the County. These statistics are presented in Exhibit IV-5. In both the summer of 1980 and in July of 1981, the West Valley had a low office vacancy rate (4%). Areas in San Jose, in contrast, had vacancy rates as high as 9% and 13%. Although rates are also a function of building activity, the low vacancy rates in the West Valley are an indication that office space demand in these areas is strong.

An historical presentation of office occupancy rates in Santa Clara County for the past three years is found in Exhibits IV-6 and IV-7. The West Valley occupancy rates have risen steadily during this period, from 88% in 1978 to 96% in 1981. Santa Clara County rates have generally remained stable at between 91% and 94%. The North County area has had high occupancy rates of between 94% and 99% during the same period.

Another indication of strength of demand in these areas is the level of office space rents. The rent range for major multi-tenant office buildings in the County in 1980 is shown in Exhibits IV-8 and IV-9. The City of San Jose has the widest range and also the highest monthly rent, from \$0.65 to \$1.50 per square foot. Rents in the North County tend to be the highest, ranging from \$0.75 to \$1.45 per square foot. In the West Valley rents are somewhat lower, in a range from \$0.75 to \$1.15 per square foot.

In general, the above statistics illustrate that office construction in the West County has increased dramatically during the past decade. Although the North County area of Palo Alto is still a preferred location for high-technology administrative headquarters, areas such as Cupertino and Sunnyvale are becoming more in demand as office center locations.

C. FUTURE MARKET TRENDS

Questor was able to identify general trends in office construction as reflected by the proposed projects scheduled for completion during the next two to three years. Some of this information is confidential, however, and thus a detailed public presentation of this information is not possible. A summary of the major office building activity is as follows:

Exhibit IV-5

INVENTORY OF EXISTING OFFICE SPACE
SANTA CLARA COUNTY
DECEMBER 1980, JULY 1981

	Total Square Feet		Square Feet Leased		Sq. Ft. Available for Lease		Percent of Total Square Feet Available for Lease		Average Rent Increase Per Sq. Ft. 01/81 - 07/81
	12/80	07/81	01/80-12/80	01/81-07/81	12/80	07/81	12/80	07/81	
West Valley	1,870,212	1,718,700	322,845	80,208	68,585	64,102	4%	4%	\$ 0.14
North County	1,434,933	1,436,933	261,486	139,672	82,640	85,261	6	6	0.25
Mid County	898,108	903,108	261,200	198,575	61,490	15,701	7	2	0.15
Alameda/N. First (San Jose)	1,340,776	1,403,400	395,528	240,045	171,350	127,442	13	9	0.14
San Jose Metro	1,798,000	1,820,500	108,550	152,171	207,800	165,549	12	9	0.15
South San Jose	86,000	86,000	25,000	7,000	0	19,000	0	22	0.23
Santa Clara County	7,428,029	7,368,641	1,374,609	766,671	591,865	477,055	8	6	N.A.

NOTES: West Valley Area: West San Jose, Campbell, Cupertino, Los Gatos
North County Area: Palo alto, Mountain View, Los Altos
Mid County Area: Sunnyvale, Santa Clara

1980 data excludes buildings of less than 30,000 square feet or buildings built before 1962.

1981 data excludes buildings of less than 30,000 square feet or buildings with a vacancy rate of over 70%.

SOURCES: 1980 data: MacMillan, Moore, & Buchanan, Inc.;
1981 data: Cushman & Wakefield;
Questor Associates.

Exhibit IV-6

OFFICE OCCUPANCY RATES*
SANTA CLARA COUNTY
1978-1981

	<u>Dec. 1978</u>	<u>June 1979</u>	<u>Dec. 1979</u>	<u>June 1980</u>	<u>Dec. 1980</u>	<u>June 1981</u>
West Valley	88%	89%	90%	94%	96%	96%
North County	98	94	99	97	94	94
Mid County	89	78	90	83	93	98
Alameda/North First (San Jose)	98	97	82	97	87	91
San Jose Metro	86	94	95	92	88	91
South San Jose	--	--	--	79	100	78
Santa Clara County	92	91	92	92	92	94

* Excluding buildings of less than 30,000 square feet, or buildings with a vacancy rate of over 70%. Includes only those buildings devoted exclusively to office use.

NOTES: West Valley Area: West San Jose, Campbell, Cupertino, Los Gatos
North County Area: Palo Alto, Mountain View, Los Altos
Mid County Area: Sunnyvale, Santa Clara

SOURCES: Cushman & Wakefield;
Questor Associates.

Exhibit IV-7

OFFICE OCCUPANCY RATES
SANTA CLARA COUNTY 1978 - 1981

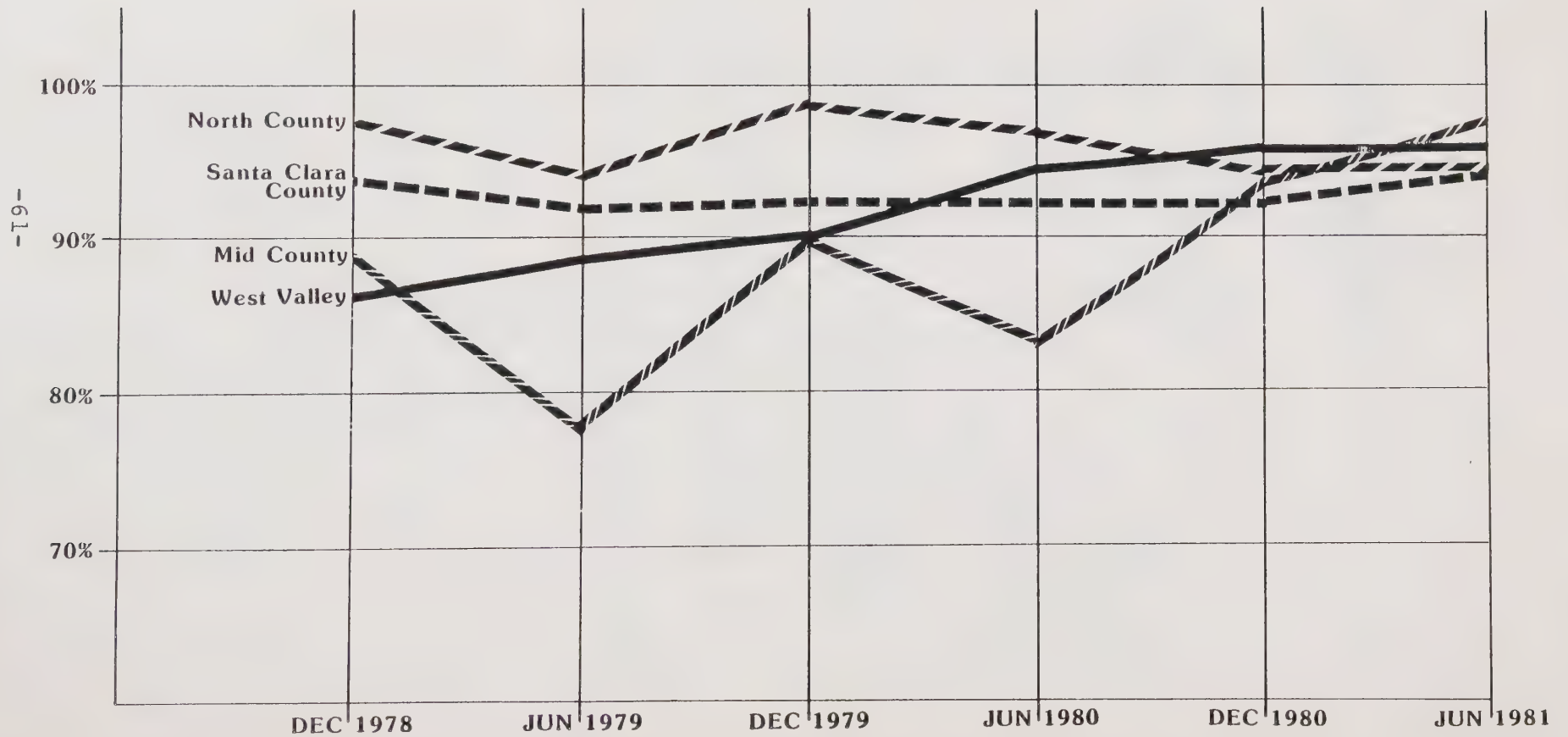


Exhibit IV-8

COMPARATIVE RENT LEVELS FOR MAJOR MULTI-TENANT
OFFICE BUILDINGS IN SANTA CLARA COUNTY
1980
(Monthly Cost Per Square Foot)

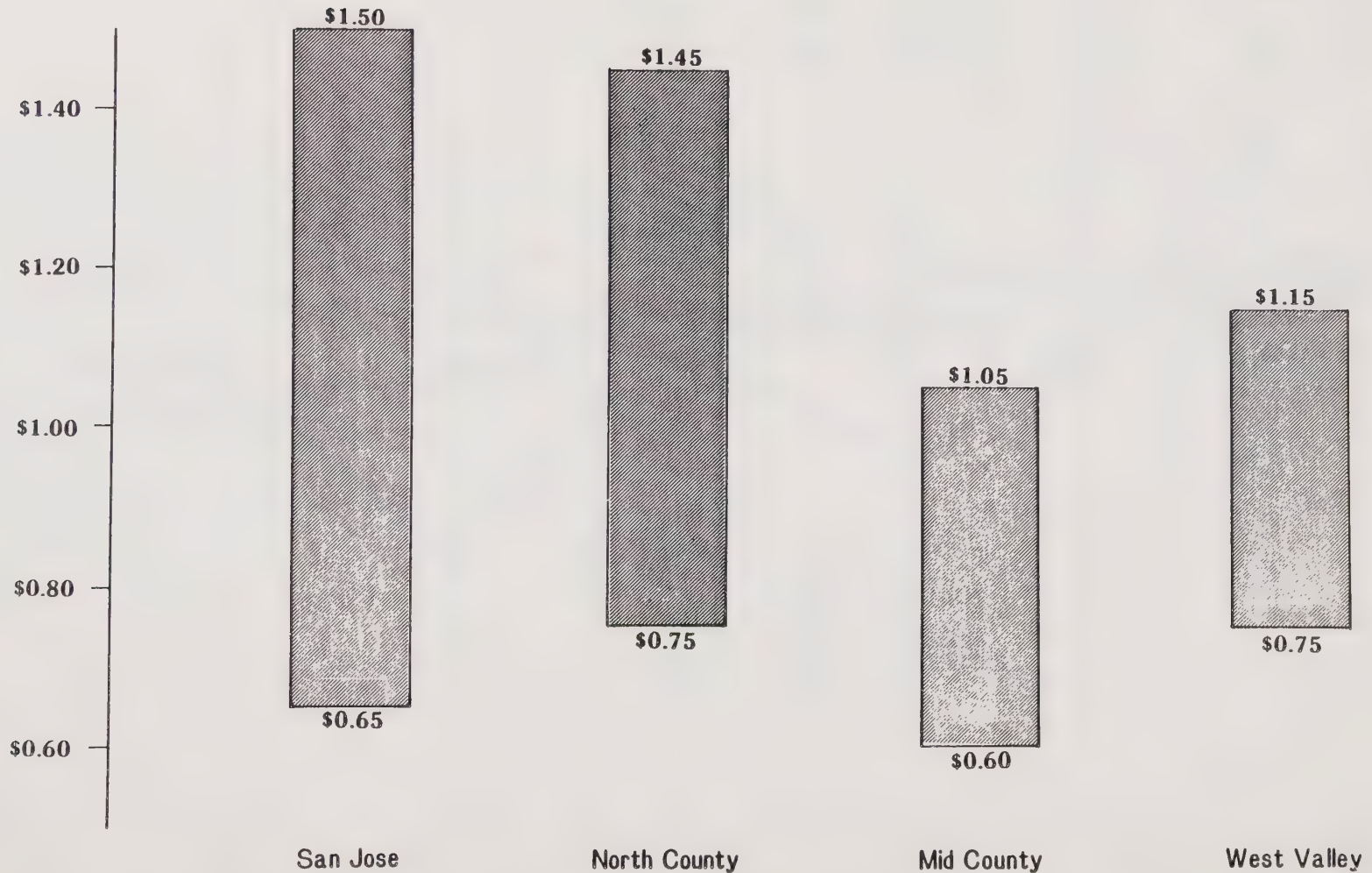
<u>Area</u>	<u>Rental Range</u>	<u>Average Rent for 1978-80 Buildings (#)</u>
San Jose:		
Metro Center	\$.85-1.50	\$1.15 (2)
Alameda/N. First	.65-1.20	1.00 (1)
West Valley	.75-1.20	1.05 (1)
South San Jose	.85-1.00	1.00 (1)
Total City:	.65-1.50	1.05 (5)
North County:	.75-1.45	1.15 (3)
Mid County:	.60-1.05	.95 (7)
West Valley:	.75-1.15	.90 (6)

SOURCES: Compiled by ABAG from information supplied by
MacMillan, Moore and Buchanan, Cushman and Wakefield,
and the San Jose Chamber of Commerce;
Questor Associates.

Exhibit IV-9

**COMPARATIVE RENT RANGES FOR MAJOR MULTI-TENANT
OFFICE BUILDINGS IN SANTA CLARA COUNTY - 1980**

(Monthly Cost per Square Foot)



Sources: Compiled by ABAG from information supplied by MacMillan, Moore, and Buchanan; Cushman and Wakefield; the San Jose Chamber of Commerce; and Questor Associates.

- ° In the Sunnyvale/U.S. 101 corridor, approximately 1,000,000 square feet are proposed.
- ° In Campbell, two buildings of 400,000 square feet each are proposed.
- ° In the Mountain View/Palo Alto area, a total of 300,000 square feet in small-building, office park development is under consideration.

In addition, Questor Associates has obtained an estimate of the amount of office space with leases which will be expiring during the next several years. In 1982, 1,100,000 square feet of office space will be up for lease renewal, and 1,500,000 square feet will be up for lease renewal in 1983. Office leasing agents in the County perceive this large amount of office space for which leases will need to be renegotiated as an indication of strong demand for additional office space in the County. The trend in the past has been that Silicon Valley companies need ever-increasing amounts of space, and when leases come up for renewal they tend to seek larger spaces.

The only over-supply of office space currently existing in the Santa Clara Valley is along parts of the U.S. 101 corridor. This phenomenon is due to a large amount of construction over the past year and is anticipated to be short-lived.

Although cyclical downturns in the office space market occurred during the 1970s, this phenomenon is expected to be rare in Cupertino during the 1980s for the following reasons:

- ° Relatively little land remains for office development in the Cupertino area;
- ° The local economy (and the demand for office space) has grown substantially over the past decade;
- ° The electronics firms of Silicon Valley today are of a larger scale and use more sophisticated management planning techniques than the entrepreneurial ventures of the 1970s.

The above discussion also applies to industrial research and development space (Section V).

D. EVALUATION OF PROPOSED GROWTH SCENARIOS

The City of Cupertino presently has 918,047 square feet of existing and approved office space.(1) The existing General Plan would allow for a total build-out of an additional 500,327 square feet, or an increase of 54%. The decreased intensity plan would allow for an increase of 37% over the existing level. The increased intensity plan, in contrast, allows for a total build-out in the City of over 2,000,000 square feet, representing an increase of ~~211%~~^{267%}. The intermediate intensity plan would permit office space to increase by 307%. These figures are displayed in Exhibits IV-10 and IV-11.

The high-technology industry in the Silicon Valley is presently strong enough to support a larger amount of office space than currently exists in the City of Cupertino. In particular, there is a trend towards more administrative headquarter space in the western portion of the County, with a decrease in production and assembly space. As a result, it is likely that the office market would be able to absorb a substantial amount of space in Cupertino. This figure would be equal to or above the typical annual absorption rates for the West Valley of between 200,000 and 500,000 square feet.

The differences among the plan scenarios result in varying periods of absorption (the time required for office space to become fully-leased). The additional construction permitted under the existing General Plan and the decreased intensity plan could likely be absorbed in one year. The amount of new construction allowed under the increased and intermediate scenarios, however, could require five years or longer to become fully leased.

As a guide to evaluating proposed projects, however, Questor has identified the type of office space which is presently in demand, and is anticipated to become increasingly in demand, in Santa Clara County. Such office space would include the following characteristics:

(1) According to estimates by the Cupertino City Planning Department.

Exhibit IV-10

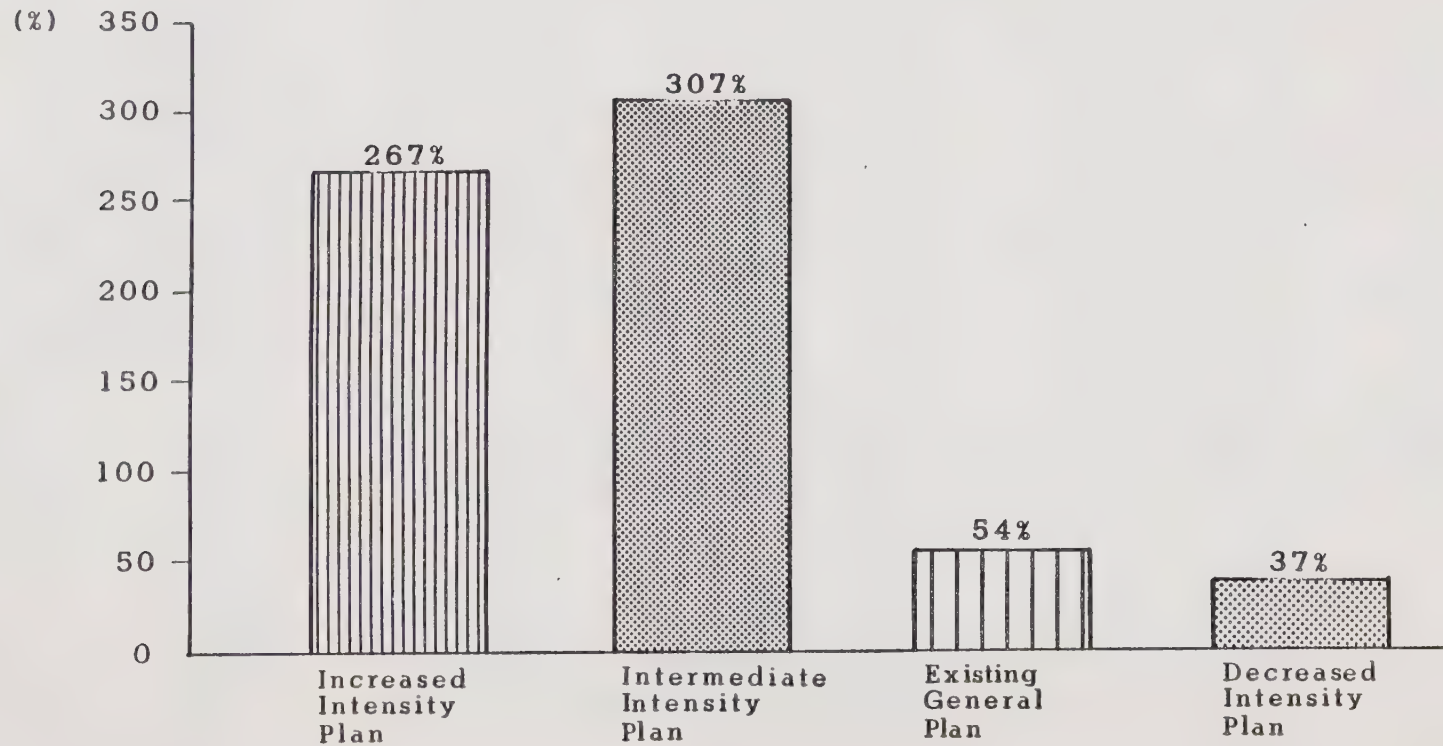
COMPARATIVE LAND USE SUMMARY
OFFICE CONSTRUCTION
CUPERTINO
January, 1982

	<u>Increased Intensity Plan</u>	<u>Intermediate Intensity Plan</u>	<u>Existing General Plan</u>	<u>Decreased Intensity Plan</u>
Existing/Approved Construction in sq. ft.	918,047	918,047	918,047	918,047
Additional New Construction in sq. ft.	2,448,727	2,820,344	500,327	335,827
Additional Construction as % of Existing/Approved	267%	307%	54%	37%
Total Buildout, in sq. ft.	3,366,774	3,738,391	1,418,374	1,253,874

SOURCES: City of Cupertino Planning Department;
Questor Associates.

Exhibit IV-11

ADDITIONAL CONSTRUCTION AS PERCENT OF EXISTING/APPROVED CONSTRUCTION
OFFICE CONSTRUCTION - CUPERTINO 1982



NOTE: PERCENTS CALCULATED ON THE BASIS OF SQUARE FEET.
SOURCE: QUESTOR ASSOCIATES.

- ° Floor sizes of between 20,000 and 25,000 square feet.
- ° Window bays of between 39 feet and 43 feet, to facilitate appropriate office segmentations;
- ° Parking ratios of approximately four spaces for every 1,000 square feet of office space; and,
- ° Construction phasing such that no more than 400,000 square feet should be marketed in one year. This figure is an approximate target and should not be interpreted as an absolute maximum.

V. INDUSTRIAL SPACE MARKET IMPACT ANALYSIS

Questor Associates has completed a market analysis of the industrial space market in Cupertino and Santa Clara County using methods similar to those employed in the office space market analysis. Statistics have been gathered on absorption rates and available space, while interviews with major industrial leasing agencies in Santa Clara County supplemented the quantitative data.

A. MARKET AREA DEFINITION

Like the office space market, the appropriate market area for industrial space tenants in the Cupertino area is Santa Clara County. The difference between the industrial and office markets, however, is that high-technology industrial space construction is expanding into Southern Alameda County to a greater degree than office space construction. This phenomenon is due in part to the trend of administrative headquarters remaining in the western portion of the Santa Clara Valley, while production and assembly activities are migrating toward the cheaper land areas of Milpitas and Fremont.

In 1978, for example, 100% of the industrial space absorbed in Cupertino and 70% of the industrial space absorbed in the entire County was occupied by electronic industries. Thus, the research and industrial space component of the industrial market is limited to Santa Clara County, although some assembly and production activities are moving to Southern Alameda County.

In light of this trend, Questor's analysis focuses on the demand for and supply of research and industrial space. The typical research and development building is totally air conditioned and contains approximately 30% to 50% office space. The remainder of the space is used for laboratory and research purposes and should have good lighting and tiled floors. Electricity requirements are higher than normal, ranging from 800 to 1200 amps. Excellent transportation and distribution facilities are necessities.

B. EXISTING MARKET CONDITIONS

In Santa Clara County there are presently 104,895,000 square feet of space used by industry, including research, assembly and production activities. This space is inhabited by approximately 2,260 tenants, and the average amount of square feet leased per tenant is 45,000. Cupertino presently has a total of 4,144,773 square feet of industrial space. This space is inhabited by 61 tenants, and the average square feet per tenant is 68,000.

In light of these numbers, it is possible to analyze the absorption patterns of both the County and Cupertino over the past several years. Historical absorption levels are presented in Exhibit V-1. Absorption of industrial space in the County has risen from a level of 4,256,000 in 1976 to a level of 10,080,000 in 1980. Absorption in Cupertino has risen from 69,750 square feet in 1976 to 327,000 square feet in 1979. Industrial space leasing agents emphasize that absorption in Cupertino is a function of how much space is actually built in a particular year. The general consensus is that absorption in Cupertino will equal the industrial space built.

To determine the validity of that perception, Questor has obtained a listing of industrial research and development space currently on the market (Exhibit V-2) as tabulated by a local real estate firm which specializes in this type of space. As of August 1981, no substantial amount of research and development space was available on the market in Cupertino. A limited amount of space was for lease in Campbell, Los Gatos, and Palo Alto; larger blocks of space were available in Mountain View and Santa Clara; while over a million square feet were available in San Jose. San Jose and Santa Clara also had by far the largest number of buildings planned or under construction.

The trend among research and development buildings is toward larger structures with more floor space. As an indication of this, the range of existing building size averages from 18,000 square feet to 48,000 square feet. In contrast, planned buildings and those under construction range from a minimum of 21,000 square feet to a maximum of 115,000 square feet.

Exhibit V-1

INDUSTRIAL SPACE ABSORPTION PATTERNS
SANTA CLARA COUNTY, CUPERTINO
1976-1980

	<u>Santa Clara County (sq.ft.)</u>	<u>Cupertino (sq.ft.)</u>	<u>Cupertino as Percent of County Total</u>
1976	4,256,000	69,750	1.6%
1977	6,064,000	310,000	5.1
1978	6,675,601	750,000	11.2
1979	8,562,000	327,000	3.8
1980	9,924,000	483,000	4.9

SOURCES: Coldwell Banker;
Questor Associates.

Exhibit V-2

INVENTORY OF INDUSTRIAL RESEARCH AND DEVELOPMENT SPACE FOR LEASE
SILICON VALLEY MARKET AREA*
AUGUST 1981

	Existing Buildings			Buildings Under Construction			Planned Buildings		
	Number of Buildings	Total Leasable Square Feet	Average Size of Building in Square Feet	Number of Buildings	Total Leasable Square Feet	Average Size of Building in Square Feet	Number of Buildings	Total Leasable Square Feet	Average Size of Building in Square Feet
Campbell	3	145,000	48,333	3	100,000	33,333	--	--	--
Los Gatos	1	22,464	22,464	--	--	--	--	--	--
Mountain View	11	372,532	33,867	1	21,788	21,788	--	--	--
Palo Alto	2	37,736	18,868	--	--	--	--	--	--
San Jose	26	1,051,982	40,461	15	627,804	41,854	17	798,025	46,943
Santa Clara	16	595,250	37,203	14	1,288,048	92,003	6	695,900	115,983
Market Area Total**	82	2,444,654	29,813	50	2,790,347	55,807	40	2,914,339	72,858

* The urbanized areas of Santa Clara and southern Alameda Counties, from Palo Alto in the west to Fremont in the east.

** Includes Fremont and Milpitas.

NOTE: These statistics are a summary of the computer listings of a major research and development space real estate firm in Santa Clara County.

SOURCE: Questor Associates.

C. FUTURE MARKET TRENDS

The consensus among industrial space leasing agents is that demand for new research and development space throughout the West Valley area will continue to be strong during the 1980s. A summary of the vacant, industrially zoned land available for future construction in Santa Clara County cities is presented in Exhibit V-3. As of 1979, the largest amount of vacant industrial land existed in San Jose and Milpitas, with 4,939 acres and 1,650 acres, respectively. Morgan Hill, Santa Clara, Sunnyvale, and Mountain View all have over 400 acres of vacant industrial land. Cupertino's amount of available land (129 acres) is relatively small in comparison to these other cities. The remaining jurisdictions in Santa Clara County have even smaller amounts of vacant industrial land. The moratorium on employment-related construction in Sunnyvale and similar no-growth sentiments throughout the West Valley Area, however, may prevent these industrially zoned acres from being fully built out. Leasing agents feel that demand is far in excess of potential supply.

During the 1983-1985 period, between 5 million and 6 million square feet of industrial space will require lease renewals each year. As in office space, this large amount of industrial space due for renewal over the next five years is an indication of an active industrial space leasing market. The trend among research and development tenants is that upon lease renewal they require more space than they presently occupy.

In order to identify the direction of growth likely for high-technology companies in Santa Clara County, it is useful to examine the number of employees in the manufacturing, research and development, and distribution sectors over the past several years. A summary of these employee levels is presented in Exhibit V-4. Research and development, as well as manufacturing, grew by 24% between 1977 and 1978, whereas distribution activities grew by only 6.8%. In 1979, research and development's employment grew by a healthy 14%, while manufacturing grew by 11.8%, and distribution activities actually decreased by 6.7%.

Although these figures are not conclusive, they do support the perception that research and development is becoming a more dominant force in the Santa Clara County high-technology economy, even though the vast majority of employees are still in the manufacturing sector. A forecast of additional employees by type of job for Cupertino in particular is presented in Section VI, Housing Market Impact Analysis.

Exhibit V-3

INDUSTRIAL EMPLOYMENT POTENTIAL
SANTA CLARA COUNTY CITIES
1979

<u>City</u>	<u>Average Jobs* per Acre on Industrial Land for Future Construction</u>	<u>Vacant Industrial Land within the Urban Service Area (Net)**</u>	<u>Capacity</u>
Palo Alto	60	50	3,000
Mt. View	38	490	18,620
Sunnyvale	25	494	12,350
Santa Clara	45	532	23,940
Cupertino	40	128	5,120
Los Altos	—	0	0
Los Altos Hills	—	0	0
Milpitas	18	1,650	29,700
San Jose	25	4,939	123,475
Campbell	25	20	500
Los Gatos	30	11	330
Saratoga	30	9	270
Monte Sereno	—	0	0
Morgan Hill	35	620	21,700
Gilroy	20	350	7,000
TOTAL		9,293	246,005

* Based on one shift operation.

** Includes all land currently planned for industrial uses within city boundaries and land subject to annexation for industrial uses. These net acreage numbers reflect a reduction of 15% to 20% of the gross acreage for streets, curbs, sidewalks, etc.

SOURCES: The Santa Clara County Manufacturing Group, Vacant Land in Santa Clara County, 1980;
Questor Associates.

Exhibit V-4

EMPLOYMENT TRENDS
HIGH TECHNOLOGY COMPANIES
SANTA CLARA COUNTY
1977-1979

<u>Type of Company</u>	<u>1977</u>	<u>1978</u>		<u>1979</u>	
	<u>Number of Employees</u>	<u>Number of Employees</u>	<u>% Change</u>	<u>Number of Employees</u>	<u>% Change</u>
Manufacturing	119,600	148,597	24.2%	166,089	11.8%
Service (Research & Development)	13,200	16,417	24.4	18,742	14.2
Distribution	<u>7,900</u>	<u>8,124</u>	<u>2.8</u>	<u>7,576</u>	<u>(-6.7)</u>
TOTAL	140,700	173,138	23.1%	192,407	11.1

SOURCES: San Jose Chamber of Commerce;
California Employment Development Department;
Questor Associates.

D. EVALUATION OF PROPOSED GROWTH SCENARIOS

In 1981, Cupertino had 4,351,518 square feet of existing and approved industrial space.(1) The existing General Plan would allow an increase of 31% over this existing level, while the decreased intensity plan would permit an increase of 23%. The increased intensity plan would allow for an increase of 64%, and the intermediate intensity scenario permits an increase of 42%. In comparison with the growth rates permitted for other land uses under the General Plan amendments, the increase in industrial space is relatively low. A summary of these industrial construction build-outs is presented in Exhibits V-5 and V-6.

In light of the strong demand for research and industrial space in the West Valley portion of Santa Clara County, all plans have market feasibility. Since Cupertino absorbed 750,000 square feet of industrial space in 1978 alone, it is reasonable to expect that the additional space permitted under the existing General Plan and the decreased intensity scenario could be absorbed in several years. Development allowed under the intermediate and increased plans could require five years or longer to become fully leased.

As in the office space analysis, Questor has identified the type of industrial research and development space which would be most in demand as perceived by industrial leasing agents. Such space would include the following features:

- ° The building footprint should range between 25,000 and 50,000 square feet;
- ° Buildings should be two stories in height, to allow a more efficient use of land;
- ° Based on the above ranges, building sizes should be between 50,000 and 100,000 square feet. The larger buildings will generally be the more marketable;
- ° The phasing of industrial space construction should be limited such that a maximum of one building is marketed within a two- to three-

(1) According to estimates by Cupertino City Planning Department.

Exhibit V-5

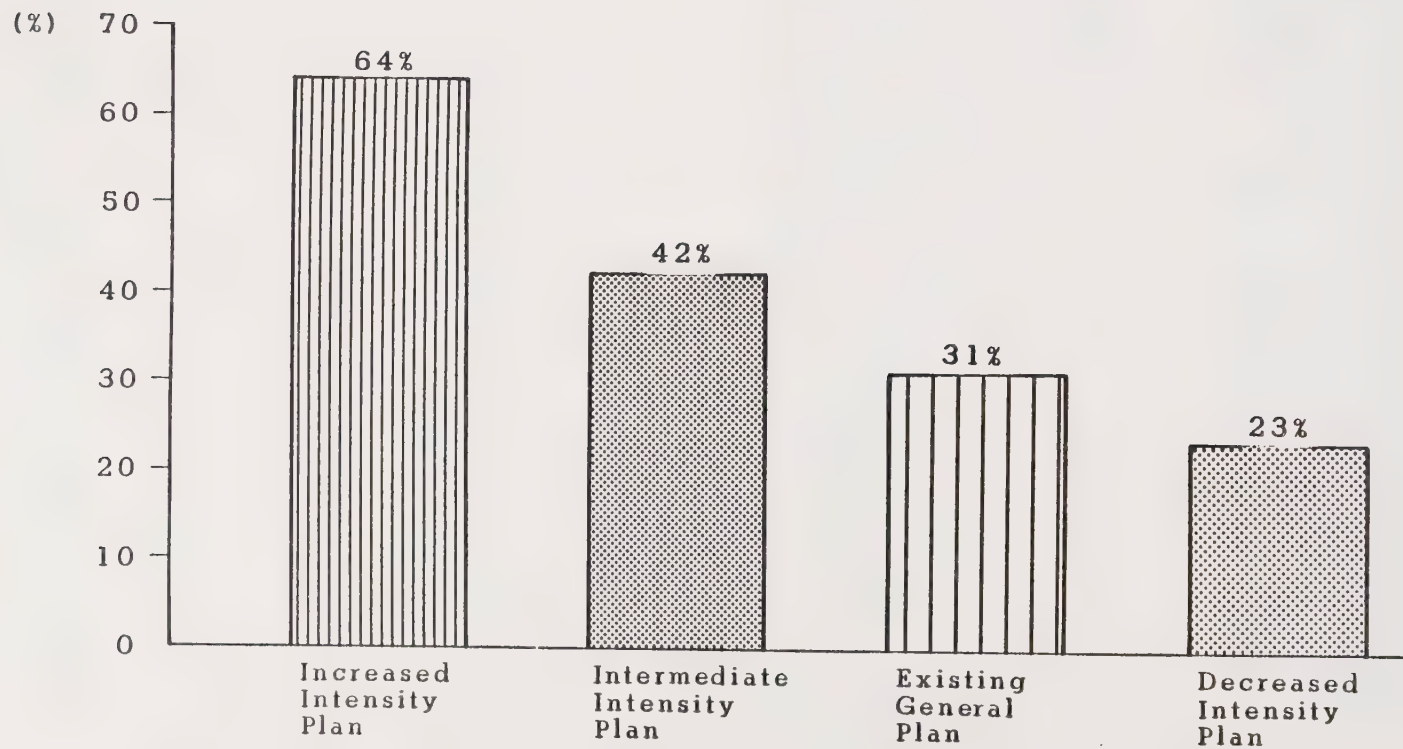
COMPARATIVE LAND USE SUMMARY
INDUSTRIAL CONSTRUCTION
CUPERTINO
January, 1982

	<u>Increased Intensity Plan</u>	<u>Intermediate Intensity Plan</u>	<u>Existing General Plan</u>	<u>Decreased Intensity Plan</u>
Existing/Approved Construction in sq. ft.	4,351,518	4,351,518	4,351,518	4,351,518
Additional New Construction in sq.ft.	2,787,870	1,835,441	1,333,870	998,670
Additional Construction as % of Existing/Approved	64%	42%	31%	23%
Total Buildout, in square feet	7,139,388	6,186,959	5,685,388	5,350,188

SOURCES: City of Cupertino Planning Department;
Questor Associates.

Exhibit V-6

ADDITIONAL CONSTRUCTION AS PERCENT OF EXISTING / APPROVED CONSTRUCTION
INDUSTRIAL CONSTRUCTION - CUPERTINO 1982



NOTE: PERCENTS CALCULATED ON THE BASIS OF SQUARE FEET.
SOURCE: QUESTOR ASSOCIATES.

month period. This ratio is an approximate target and should not be interpreted as an absolute maximum.

One industrial space leasing agent estimated that over one million square feet of industrial space in Cupertino could be pre-leased within a two-year period.

VI. HOUSING MARKET IMPACT ANALYSIS

Questor Associates has comprehensively analyzed the housing market conditions which presently exist in the City of Cupertino. This analysis is based on 1) statistics gathered by the San Jose Real Estate Board and the First American Title Company, and 2) a Questor survey of rental advertisements in the San Jose Mercury News. In addition, Questor has surveyed local Cupertino employers to determine the incomes and residence locations of their current employees. Using this data, Questor has been able to make observations concerning the ability of new workers to afford housing within Cupertino.

A. MARKET AREA DEFINITION

Housing markets are not confined by municipal boundaries, and thus Cupertino is only one portion of the total housing market in Santa Clara County. Since the purpose of this study is to evaluate proposed amendments to the City's General Plan, however, Questor has also examined the housing market in Cupertino specifically. Housing market data has been gathered for 1) the metropolitan San Jose area, (Exhibit VI-1), and 2) the Cupertino-Monte Vista area (Exhibit VI-2).

B. EXISTING MARKET CONDITIONS

Questor has chosen three major housing variables by which housing market statistics are organized. These variables are as follows:

- ° Tenure: For sale and rental housing;
- ° Type: Attached and detached housing;
- ° Age: New construction and existing housing.

The exhibits which follow present housing price information as it varies among the above categories.

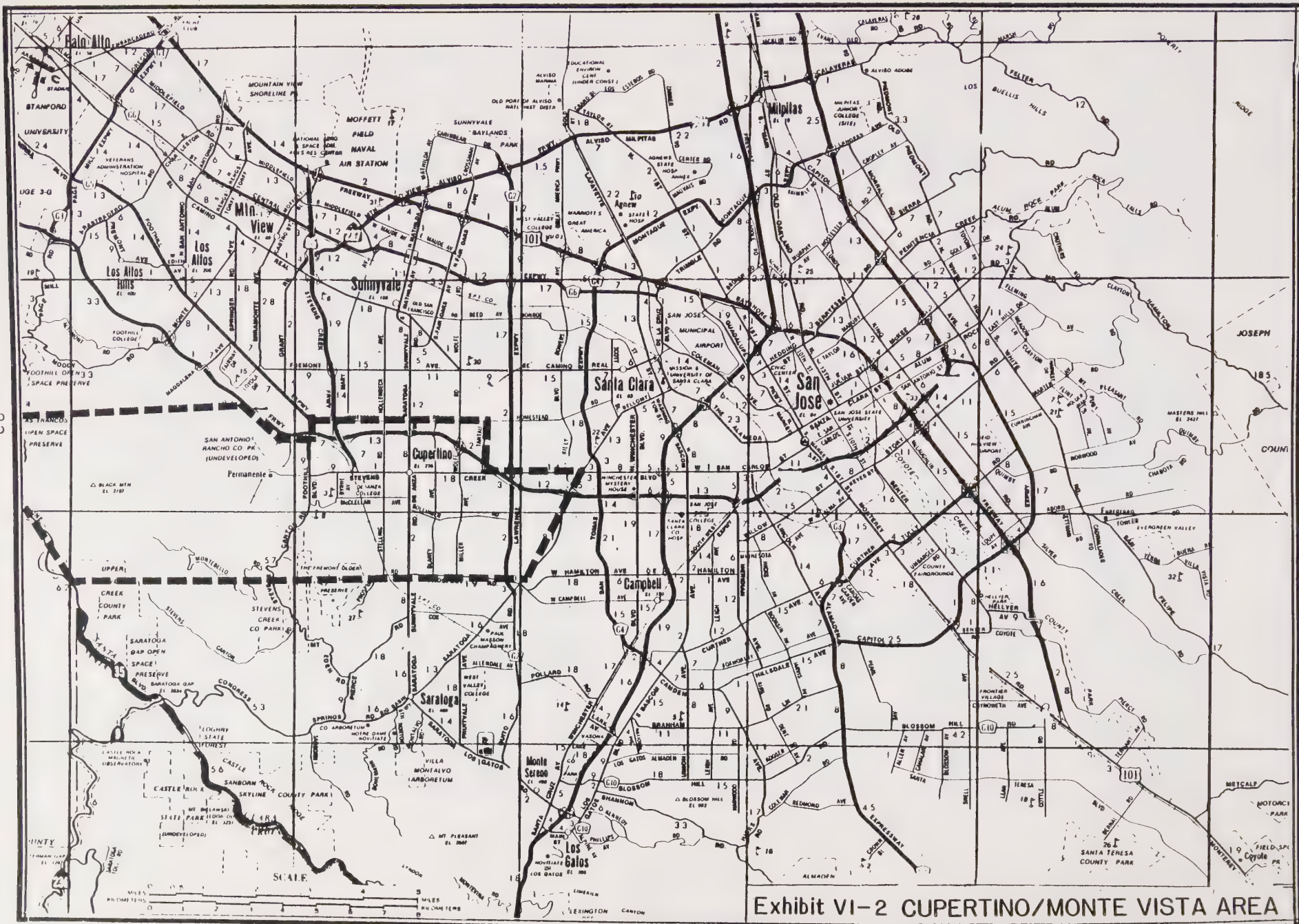


Exhibit VI-2 CUPERTINO/MONTE VISTA AREA

The average price of a single-family home or condominium resale in Metropolitan San Jose in 1980 was \$115,464. The monthly median price ranged from a low of \$90,000 in January to a high of \$104,250 in December. This median has risen to a high of \$112,250 in July of 1981. These statistics are presented in Exhibit VI-3.

In June of 1981, only 27.8% of the single-family home resales in the San Jose Metropolitan area were under \$100,000, as compared with 25.8% in July of the same year. Approximately 93% of single-family home resales were under \$200,000 during both months. A distribution of single-family home sales for June and July of 1981 is shown in Exhibit VI-4.

The Cupertino area has significantly higher house prices than the San Jose metropolitan area. Cupertino single-family home resales averaged \$137,681 in 1980. The monthly median price ranged from a low of \$118,000 to a high of \$138,500. The monthly median for July of 1981 was \$145,000. Condominium and townhouse resales in 1980 averaged \$122,713. The monthly median ranged from a low of \$90,500 in April of 1980 to a high of \$126,000 in June. The monthly median in 1981 has risen from a low of \$109,900 in January to high of \$145,000 in June. These figures are presented in Exhibits VI-5 and VI-6.

Prices of newly constructed, single-family, detached houses currently selling in Cupertino are substantially above these levels. According to a survey done by the First American Title Company in the spring of 1981, the lowest priced single-family house in Cupertino was selling for \$171,950. Several apartment conversions resulted in relatively inexpensive condominiums priced in the \$60,000 to \$75,000 range. Prices of newly constructed condominiums began as low as \$80,000, although most were priced between \$150,000 and \$200,000. Based on First American Title's survey of developments either 1) under construction or 2) between phases, there are significantly more condominium and planned unit development projects underway than single-family home projects. First American Title identified four single-family home projects and eleven condominium projects under construction. This information is shown in Exhibits VI-7 and VI-8.

In order to comprehensively profile the availability of rental units in Cupertino, Questor Associates has completed an extensive content analysis of rental advertisements in the San Jose Mercury News between April 5 and August 2 of 1981. Advertisements identified as being "within Cupertino" were

Exhibit VI-3

SINGLE-FAMILY HOME AND CONDOMINIUM SALES
SAN JOSE METROPOLITAN AREA*
1980, 1981

	<u>Number of Sales</u>	<u>Average Price</u>	<u>Median** Price</u>
<u>1980</u>			
January	1,474	\$101,507	\$ 90,000
February	1,527	105,955	93,000
March	1,186	110,260	95,000
April	818	112,074	95,000
May	1,236	113,328	97,500
June	1,554	117,142	100,000
July	1,946	116,299	100,000
August	1,788	121,783	104,000
September	1,546	115,656	102,000
October	1,475	117,584	103,000
November	1,061	129,863	105,000
December	<u>996</u>	<u>127,956</u>	104,250
TOTAL 1980	16,607	\$115,464	N.A.
<u>1981</u>			
January	924	121,395	105,000
February	1,212	128,437	109,000
March	1,362	119,218	107,000
April	1,288	123,382	109,500
May	1,130	128,671	112,000
June	1,107	133,552	112,500
July	1,033	135,418	112,250

*Based on re-sales in the area covered by the San Jose Real Estate Board, which includes the cities of San Jose, Cupertino, Campbell, Gilroy, Milpitas, Morgan Hill, and Santa Clara.

**Single-family homes only.

SOURCES: San Jose Real Estate Board;
Questor Associates.

Exhibit VI-4

DISTRIBUTION OF SINGLE-FAMILY HOME SALES
SAN JOSE METROPOLITAN AREA*
1981

<u>Sale Price</u>	<u>June</u>			<u>July</u>		
	<u>Number of Units</u>	<u>%</u>	<u>Cumulative %</u>	<u>Number of Units</u>	<u>%</u>	<u>Cumulative %</u>
\$ 40,000 - 49,999	2	0.2	0.2	0	0.0	0.0
\$ 50,000 - 59,999	3	0.3	0.5	1	0.2	0.2
\$ 60,000 - 69,999	13	1.4	1.9	12	2.0	2.2
\$ 70,000 - 79,999	66	7.0	8.9	22	3.6	5.8
\$ 80,000 - 89,999	83	8.8	17.7	63	10.2	16.1
\$ 90,000 - 99,999	95	10.1	27.8	59	9.7	25.8
\$100,000 - 119,999	261	27.8	55.6	162	26.5	52.3
\$120,000 - 139,999	174	18.5	74.1	102	16.7	69.0
\$140,000 - 159,999	89	9.5	83.6	64	10.5	79.5
\$160,000 - 179,999	63	6.7	90.3	50	8.2	87.7
\$180,000 - 199,999	21	2.2	92.5	30	4.9	92.6
\$200,000 - 249,999	39	4.2	96.7	32	5.2	97.8
\$250,000 and above	<u>30</u>	<u>3.2</u>	<u>99.9</u>	<u>14</u>	<u>2.3</u>	<u>100.1</u>
TOTAL	939	99.9	99.9	611	100.1	100.1

*Based on re-sales in the area covered by the San Jose Real Estate Board, which includes the cities of San Jose, Cupertino, Campbell, Gilroy, Milpitas, Morgan Hill, and Santa Clara.

SOURCES: San Jose Real Estate Board;
Questor Associates.

Exhibit VI-5

SINGLE-FAMILY HOME SALES
CUPERTINO-MONTE VISTA
1980, 1981

	<u>Number of Sales</u>	<u>Average Price</u>	<u>Median Price</u>
<u>1980</u>			
January	55	\$123,488	\$118,000
February	63	129,471	122,000
March	45	135,978	125,500
April	35	137,020	126,000
May	70	133,342	125,000
June	93	136,003	126,500
July	76	134,008	126,500
August	87	139,511	132,000
September	72	134,906	126,500
October	62	162,456	136,000
November	39	148,998	134,950
December	<u>37</u>	<u>143,096</u>	138,500
Total 1980	734	\$137,681	N.A.
<u>1981</u>			
January	42	149,913	135,000
February	48	146,026	135,000
March	44	144,026	135,000
April	55	142,103	135,000
May	54	151,279	138,000
June	46	156,916	146,000
July	54	149,137	145,000

NOTE: Sales are re-sales only, from an area bounded roughly by Homestead Road, Saratoga Avenue, Prospect Road, and Skyline Boulevard, as shown in Exhibit VI-4.

SOURCES: San Jose Real Estate Board;
Questor Associates.

Exhibit VI-6

CONDOMINIUM AND TOWNHOUSE SALES
CUPERTINO-MONTE VISTA
1980, 1981

	<u>Number of Sales</u>	<u>Average Price</u>	<u>Median Price</u>
<u>1980</u>			
January	10	\$111,868	\$104,000
February	14	125,554	129,000
March	12	116,267	119,000
April	7	115,071	90,500
May	7	116,164	116,000
June	16	127,263	126,000
July	13	124,685	124,950
August	25	126,700	125,000
September	13	124,826	121,500
October	13	123,269	112,000
November	7	111,286	105,000
December	<u>6</u>	<u>137,083</u>	122,500
Total 1980	143	122,713	N.A.
<u>1981</u>			
January	7	122,914	109,900
February	13	139,727	130,000
March	8	154,375	145,000
April	12	129,892	130,000
May	13	132,296	120,000
June	12	143,417	145,000
July	9	148,444	139,000

NOTE: Sales are re-sales only, from an area bounded roughly by Homestead Road, Saratoga Avenue, Prospect Road, and Skyline Boulevard, as shown in Exhibit VI-4.

SOURCES: San Jose Real Estate Board;
Questor Associates.

SURVEY OF RESIDENTIAL CONSTRUCTION PROJECTS
CUPERTINO AND VICINITY
MARCH-APRIL, 1981

CURRENTLY SELLING PROJECTS: Single-Family Detached

Map No.	Development & Developer	Basic Price Range	Sq. Ft.	No. of Bedrooms-Baths	Minimum Lot Size	Type of Financing Offered	Proposed Total Units	Date Sales Started	Total Sold	Average Weekly Sales
1	Bas at Foothill II Bas Homes	278,000 337,000	2,262 3,123	2 - 3 5 - 3	N/A	Conv.	27	Sept. 80	22	0.8
2	Granada Homes Terry Brown Construction Co.	199,500 239,900	1,810 1,980	3 - 2½ 4 - 2½	3,200	Conv.	9	Jan. 81	2	0.3
3	Bryant Square Dividend Development Co.	262,950 321,950	2,183 2,815	4 - 2½ 4 - 3	8,000	Conv.	42	Sept. 80	41	1.1
4	Casa View Terrace Dividend Development Co.	171,950 211,950	1,613 2,036	3 - 2 4 - 2½	4,480	Conv.	37	July 80	33	1.0
5	Cuesta Park Pinn Bros. Construction	190,000 362,000	2,300 3,300	4 - 2 5 - 3	9,000	Conv.	18	June 80	11	0.3
6	Royal Ann Park Woolworth Construction	291,400 300,000	3,300 3,416	3 - 3 4 - 3	6,000	Conv.	53	Dec. 80	8	0.6

CURRENTLY SELLING PROJECTS: Condominium and Planned Unit Developments

Map No.	Development & Developer	Basic Price Range	Sq. Ft.	No. of Bedrooms-Baths	Minimum Lot Size	Type of Financing Offered	Proposed Total Units	Date Sales Started	Total Sold	Average Weekly Sales
7	Stonebridge Daiwa House	193,450 208,450	2,010 2,480	2 - 2 3 - 2	N/A	Conv.	36	Aug. 80	32	1.1
8	Meridian Woods* Daon Corp.	77,000 95,500	925 1,460	2 - 1 3 - 2½	N/A	Conv.	282	May 80	180	3.6
9	Woodsborough* Daon Corp.	60,000 115,000	635 1,475	1 - 1 3 - 2½	N/A	Conv.	478	May 80	360	63.0
10	Garden View Terrace Federated Developmt. Co., Inc.	152,500 177,950	1,201 1,891	2 - 2 4 - 2½	N/A	Conv.	41	Oct. 80	24	1.1
11	Hidden Valley Marek Building Company	188,900 186,900	1,639 1,677	3 - 3 3 - 2½	N/A	Conv.	23	Sept. 80	11	0.4
12	Stratford Gardens Ponderosa Homes	189,000 205,000	1,643 2,191	2 - 2 3 - 2½	N/A	Conv.	64	Mar. 81	14	3.5
13	Vista del Lago Regis Homes, Inc.	78,000 122,900	658 1,448	1 - 1 3 - 2	N/A	Conv.	254	Mar. 81	138	27.6
14	Tudor Village Stanford Financial Corp.	180,000 185,000	1,790 1,850	3 - 2 3 - 2½	N/A	Conv.	11	April 81	4	2.0

Exhibit VI-7 (Continued)

DEVELOPMENTS UNDER CONSTRUCTION OR BETWEEN PHASES: Single-Family Detached

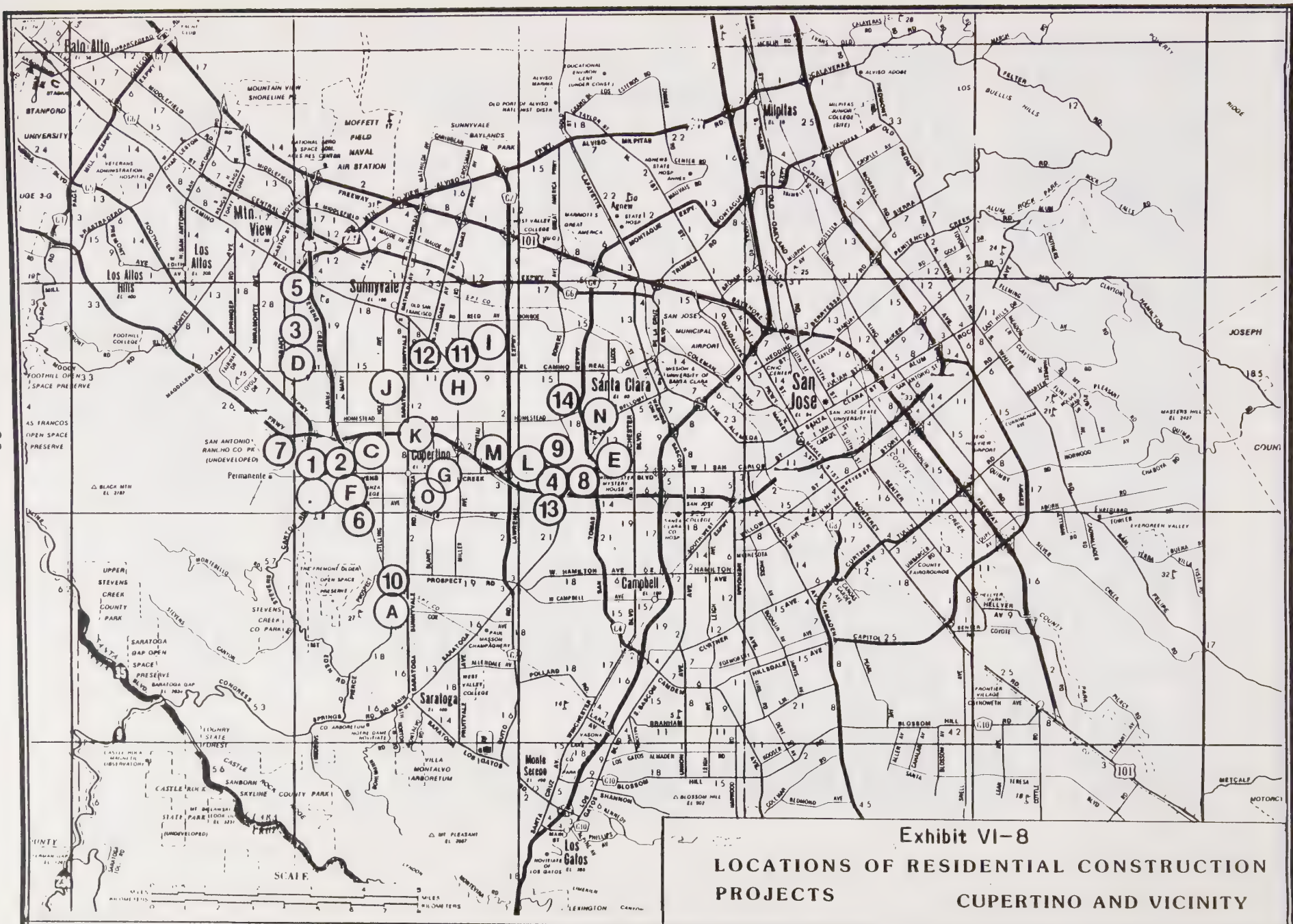
Map No.	Development & Developer	Proposed Price Range	Square Feet	Total Units in Development	Total Sold To Date	Units in Next Phase	Date of Opening For Sale
A	Wildflower Way Jules Duc Construction Company	N/A	1,450	13	0	13	Fall 81
B	Meadows II of Cupertino M.C.A.; Limited Partnership	N/A	N/A	5	0	5	1981
C	Oakdell Ranch Osterland Enterprises, Inc.	N/A	2,560 2,900	18	0	18	May 81
D	Montebello Oaks Pinn Bros. Construction	N/A	N/A	12	0	12	Summer 82

DEVELOPMENT UNDER CONSTRUCTION OR BETWEEN PHASES: Condominium and Planned Unit Developments

E	American Villa Townhomes American Villa Corp.	N/A	1,820 1,910	15	0	15	May 81
F	Vista Hills Terry Brown Construction Co.	N/A	1,434 1,810	13	0	13	Aug 81
G	Park Plaza C & H Partnership	N/A	1,163 1,323	79	0	N/A	July 81
H	Failways Construction Systems	N/A	950 1,400	220	0	N/A	May 81
I	Miramar Plaza Gazdar Homes, Inc.	N/A	N/A	282	0	N/A	Summer 82
J	St. Andrew Court Gilbert Homes	N/A	1,250 1,450	14	0	14	July 81
K	Coppersquare E.A. Hathaway	N/A	870 1,500	60	0	N/A	Fall 81
L	Capistrano Morrison Homes	N/A	1,277 1,488	177	0	N/A	May 81
M	Stevens Creek Place Parnas Corp.	N/A	N/A	255	0	N/A	Winter 81
N	The Redwoods R.J.M. Construction Company, Inc.	N/A	1,700 1,900	138	0	N/A	June 81
O	Town Center Place T.C.P.C., Limited	N/A	N/A	400	0	N/A	Summer 82

* Apartment Conversion

SOURCES: First American Title Guaranty Company;
Questor Associates.



tallied and classified according to number of bedrooms and type of unit. The results of this survey, by cumulative percent, is presented in Exhibit VI-9. Only 37% of the one-bedroom apartments had a monthly rent of below \$400, and only 35% of the two-bedroom apartments advertised had a rent of below \$500. Of the three-bedroom duplexes advertised, 16% were below \$600 in rent. Single-family houses, perhaps due to a lower level of quality, were somewhat cheaper than duplexes. Roughly 71% of the two-bedroom homes were priced below \$500 and 43% of three-bedroom homes were priced below \$600.

By estimating monthly housing costs, Questor has established minimum income limits needed to afford typical housing prices in Cupertino. For resale home purchases, required annual incomes were calculated for both 16% and 13% interest rates on the home mortgage. The latter interest rate is an approximation for the effective rate which might be paid by a homebuyer who assumes an existing mortgage. In such a case, the homebuyer assumes an existing mortgage at an interest rate below current levels, in combination with a new mortgage at 16% to cover the difference between the sales price and the amount of the first mortgage.

The results of these affordability analyses, presented in Exhibits VI-10 through VI-14, are as follows:

- ° Based on the average price of single-family home resales in 1980, an annual household income of between \$56,000 and \$70,000 would be needed for purchase.
- ° Based on the average price of condominium resales in 1980 in the Cupertino area, an annual income of between \$49,000 and \$63,000 would be required for purchase.
- ° Based on the low and high endpoints in the range of new single-family home prices in the Cupertino area, the required annual income would be between \$83,000 and \$185,000.
- ° Based on the low and high endpoints in the range of new condominium prices in the Cupertino area, the required annual income would range from \$29,000 to \$107,000.

Exhibit VI-9

RENT SURVEY OF ADVERTISED HOUSING UNITS
CUMULATIVE PERCENTS BY TYPE OF UNIT
CUPERTINO 1981

Monthly Rent	Apartments/Townhouses			Duplexes			Single-Family Houses		
	1 Bedroom	2 Bedrooms	3 or More Bedrooms	1 Bedroom	2 Bedrooms	3 or More Bedrooms	1 Bedroom	2 Bedrooms	3 or More Bedrooms
Under \$250	0%	1%	0%	0%	0%	0%	0%	0%	0%
\$250-299	5	1	0	33	0	0	0	0	0
\$300-349	14	1	0	0	0	0	10	0	0
\$350-399	37	2	0	0	0	0	30	3	0
\$400-499	69	35	2	66	32	1	100	71	14
\$500-599	83	59	27	0	71	16		89	43
\$600-699	100	91	49	100	94	51		100	81
\$700-799		100	91		100	83			98
\$800 and above			100			100			100
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of ads in survey	22	165	113	3	44	364	10	77	42

NOTES: Based on the number of advertisements for rental housing units in the Sunday edition of the San Jose Mercury News, April 5, 1981-August 2, 1981. Advertisements in survey chosen if unit is identified as "in Cupertino"; units not necessarily within City Limits. Totals may not add to 100% due to rounding.

SOURCE: Questor Associates.

Exhibit VI-10

HOUSING AFFORDABILITY ANALYSIS
SINGLE-FAMILY HOME RESALES
CUPERTINO

	16%		13%	
Purchase Price (1)	\$137,681	\$137,681	\$137,681	\$137,681
Loan-to-Value Ratio	0.90	0.95	0.90	0.95
Mortgage Amount	\$123,913	\$130,797	\$123,913	\$130,797
Interest Rate	16%	16%	13%	13%
<u>Annual Housing Costs</u>				
Principal and Interest (30-year term)	\$ 20,000	\$ 21,111	\$ 16,443	\$ 18,270
Real Estate Tax (1.10%)	1,514	1,514	1,514	1,514
Mortgage Insurance (0.35%)	436	458	436	458
Hazard Insurance (0.2%)	<u>248</u>	<u>262</u>	<u>248</u>	<u>262</u>
TOTAL Annual Housing Costs	\$ 22,198	\$ 23,345	\$ 18,641	\$ 20,504
REQUIRED ANNUAL INCOME (2)	\$ 67,000	\$ 70,000	\$ 56,000	\$ 62,000

- NOTES: (1) The average price of single-family home resales in 1980 in the Cupertino-Monta-Vista area.
- (2) Assuming a maximum annual housing cost-to-income ratio of 33.3%. Rounded to nearest \$1,000.

SOURCE: Questor Associates.

Exhibit VI-11

HOUSING AFFORDABILITY ANALYSIS
CONDOMINIUM RESALES
CUPERTINO

Purchase Price (1)	\$122,713	\$122,713	\$122,713	\$122,713
Loan-to-Value Ratio	0.90	0.95	0.90	0.95
Mortgage Amount	\$110,442	\$116,577	\$110,442	\$116,577
Interest Rate	16%	16%	13%	13%
<u>Annual Housing Costs</u>				
Principal and Interest (30 year term)	\$ 17,825	\$ 18,816	\$ 14,656	\$ 15,470
Real Estate Tax (1.10%)	1,350	1,350	1,350	1,350
Mortgage Insurance (0.35%)	387	408	387	408
Hazard Insurance (0.2%)	<u>221</u>	<u>233</u>	<u>221</u>	<u>233</u>
TOTAL Annual Housing Costs	\$ 19,783	\$ 20,807	\$ 16,614	\$ 17,461
REQUIRED ANNUAL INCOME (2)	\$ 59,000	\$ 62,000	\$ 50,000	\$ 52,000

- (1) The average price of condominium resales in 1980 in the Cupertino-Mountain Vista area.
(2) Assuming a maximum annual housing cost-to-income ratio of 33.3%.
Rounded to nearest \$1,000.

SOURCE: Questor Associates.

Exhibit VI-12

HOUSING AFFORDABILITY ANALYSIS
SINGLE-FAMILY HOME NEW CONSTRUCTION SALES
CUPERTINO

Purchase Price (1)	\$171,950	\$171,950	\$362,000	\$362,000
Loan-to-Value Ratio	0.90	0.95	0.90	0.95
Mortgage Amount	154,755	\$163,352	\$352,800	\$343,900
Interest Rate	16%	16%	16%	16%
<u>Annual Housing Costs</u>				
Principal and interest (30-Year Term)	\$ 24,977	\$ 26,365	\$ 52,584	\$ 55,505
Real Estate Tax (1.10%)	1,891	1,891	3,982	3,982
Mortgage Insurance (0.35%)	542	572	1,140	1,204
Hazard Insurance	<u>310</u>	<u>327</u>	<u>652</u>	<u>688</u>
TOTAL Annual Housing Costs	\$ 27,720	\$ 29,155	\$ 58,358	\$ 61,379
REQUIRED ANNUAL INCOME (2)	\$ 83,000	\$ 88,000	\$175,000	\$184,000

-
- (1) The low and high end-points in the range of single family home new construction sales in the Cupertino area during March-April 1981.
- (2) Assuming a maximum annual housing cost-to-income ratio of 33.3%. Rounded to nearest \$1,000.

SOURCE: Questor Associates.

Exhibit VI-13

HOUSING AFFORDABILITY ANALYSIS
CONDOMINIUM NEW CONSTRUCTION SALES
CUPERTINO

Purchase Price (1)	\$60,000	\$60,000	\$208,450	\$208,450
Loan-to-Value Ratio	0.90	0.95	0.90	0.95
Mortgage Amount	\$54,000	\$57,000	\$187,605	\$198,028
Interest Rate	16%	16%	16%	16%
<u>Annual Housing Costs</u>				
Principal and Interest (30-Year Term)	\$ 8,716	\$ 9,200	\$ 30,279	\$ 31,962
Real Estate Tax (1.10%)	660	660	2,293	2,293
Mortgage Insurance (0.35%)	189	200	657	693
Hazard Insurance (0.2%)	108	114	375	396
TOTAL Annual Housing Costs	\$ 9,673	\$10,174	\$ 33,604	\$ 35,344
REQUIRED ANNUAL INCOME (2)	\$29,000	\$31,000	\$101,000	\$106,000

- (1) The low and high end-points in the range of condominium new construction sales in the Cupertino area during March-April 1981, including apartment conversions.
- (2) Assuming the maximum annual housing cost-to-income ratio of 33.3%.
Rounded to nearest \$1,000.

SOURCE: Questor Associates.

Exhibit VI-14

HOUSING AFFORDABILITY ANALYSIS
RENTAL HOUSING
CUPERTINO

	1 BR <u>Apartment</u>	2 BR <u>Duplex</u>	3 BR <u>House</u>
Monthly Rent (1)	\$ 450	\$ 550	\$ 650
Monthly Utilities	20	25	30
Monthly Housing Expenses	<u>\$ 470</u>	<u>\$ 575</u>	<u>\$ 680</u>
Annual Housing Expenses	\$ 5,640	\$ 6,900	\$ 8,160
REQUIRED ANNUAL INCOME (2)	\$17,000	\$21,000	\$25,000

(1) Based on approximate median rent level as determined by survey of San Jose Mercury News, April-August 1981.

(2) Assuming a maximum annual housing cost-to-income ratio of 33.3%. Rounded to nearest \$1,000.

SOURCE: The Land Economics Group.

- ° Based on the approximate median rent level for one-bedroom apartments in Cupertino, the required annual income would be approximately \$17,000.
- ° Based on the approximate median rent level of a two-bedroom duplex in Cupertino, the required annual income would be \$21,000.
- ° Based on the approximate median rent level of three-bedroom single-family homes in Cupertino, the required annual income would be \$25,000.

A final market indicator which Questor has examined is the vacancy rate. According to the most recent vacancy survey of the Federal Home Loan Bank(1), the vacancy rate of both single- and multifamily units is slightly more than 1%. Considering the temporary vacancies created by households moving from one unit to another, the effective vacancy rate in Cupertino would appear to be zero.

C. FUTURE MARKET TRENDS

To evaluate future housing market trends, Questor has examined 1) the availability of residential land for development, and 2) the affordability of Cupertino housing for new Cupertino workers.

1. Residential Development Potential

The potential for additional residential development in Santa Clara County is limited, and most of this potential is located in cities in the eastern and southern sections of the County, such as San Jose, Morgan Hill, and Milpitas. An estimate based on 1979 data for the additional dwelling unit capacity of cities in Santa Clara County is presented in Exhibit VI-15. Cupertino, with an estimated dwelling unit capacity of 4,890 units, has one of the higher potentials of

(1) Federal Home Loan Bank of San Francisco, San Jose SMSA Housing Vacancy Survey, September 1980, 1981.

Exhibit VI-15

RESIDENTIAL DEVELOPMENT POTENTIAL
Santa Clara County Cities

1979

<u>City</u>	<u>Vacant Land Within the Urban Service Area (Acres)* Residential</u>	<u>Average Dwell- ing Units Per Acre on Resid- ential Land</u>	<u>Dwelling Unit Capacity</u>
Palo Alto	65	20	1,300
Mt. View	300	12	3,600
Sunnyvale	168	10	1,680
Santa Clara	157	18	2,826
Cupertino	652	7.5	4,890
Los Altos	68	3.5	238
Los Altos Hills	644	0.5	322
Milpitas	608	6	3,648
San Jose	7,631	6	45,786
Campbell	40	5	200
Los Gatos	395	1	395
Saratoga	1,514	1.5	2,271
Monte Sereno	35	1	35
Morgan Hill	1,295	5	6,475
Gilroy	<u>650</u>	7.5	<u>4,875</u>
TOTAL	14,222		78,541

*Includes all land currently planned for residential uses within city boundaries and land subject to annexation for residential uses.

SOURCES: The Santa Clara County Manufacturing Group; Vacant Land in Santa Clara County, 1980; Questor Associates.

cities in the area. All cities in the western portion of the County except Mountain View have development potentials of under 3,000 dwelling units. The total dwelling unit capacity for cities in the County is only slightly above 78,000. The Santa Clara County Manufacturing Group estimates a net housing unit shortfall in the County of approximately 62,000 units(1) based on demand resulting from employment growth.

Most of the acreage available for development in Cupertino is found in hillside, low-density parcels. Several high-density infill sites exist along Stevens Creek Boulevard and De Anza Boulevard, while medium- density infill sites are scattered throughout the City. The General Plan amendments being considered would affect the development intensity of the Forge, the Town Center area, and South Saratoga/Sunnyvale Road area. These projects are displayed in Exhibit VI-16.

2. Income Levels of Additional Cupertino Workers

To project the incomes of new workers resulting from new construction allowed under the three General Plan scenarios, Questor has used the following steps:

- 1) Estimate a distribution of workers by type according to income;
- 2) Estimate a distribution of workers by type according to type of construction; and
- 3) Using the figures developed in steps 1 and 2, estimate a distribution of workers by income according to type of construction.

This analysis is explained more fully below.

Initially, Questor surveyed five employers currently located in the City to determine the approximate wages of their work forces. A distribution of their present workers by type and income is presented in Exhibit VI-17.

(1) The Santa Clara County Manufacturing Group, Jobs/Housing Task Force, Vacant Land in Santa Clara County, Implications for Job Growth and Housing in the 1980s, 1980.

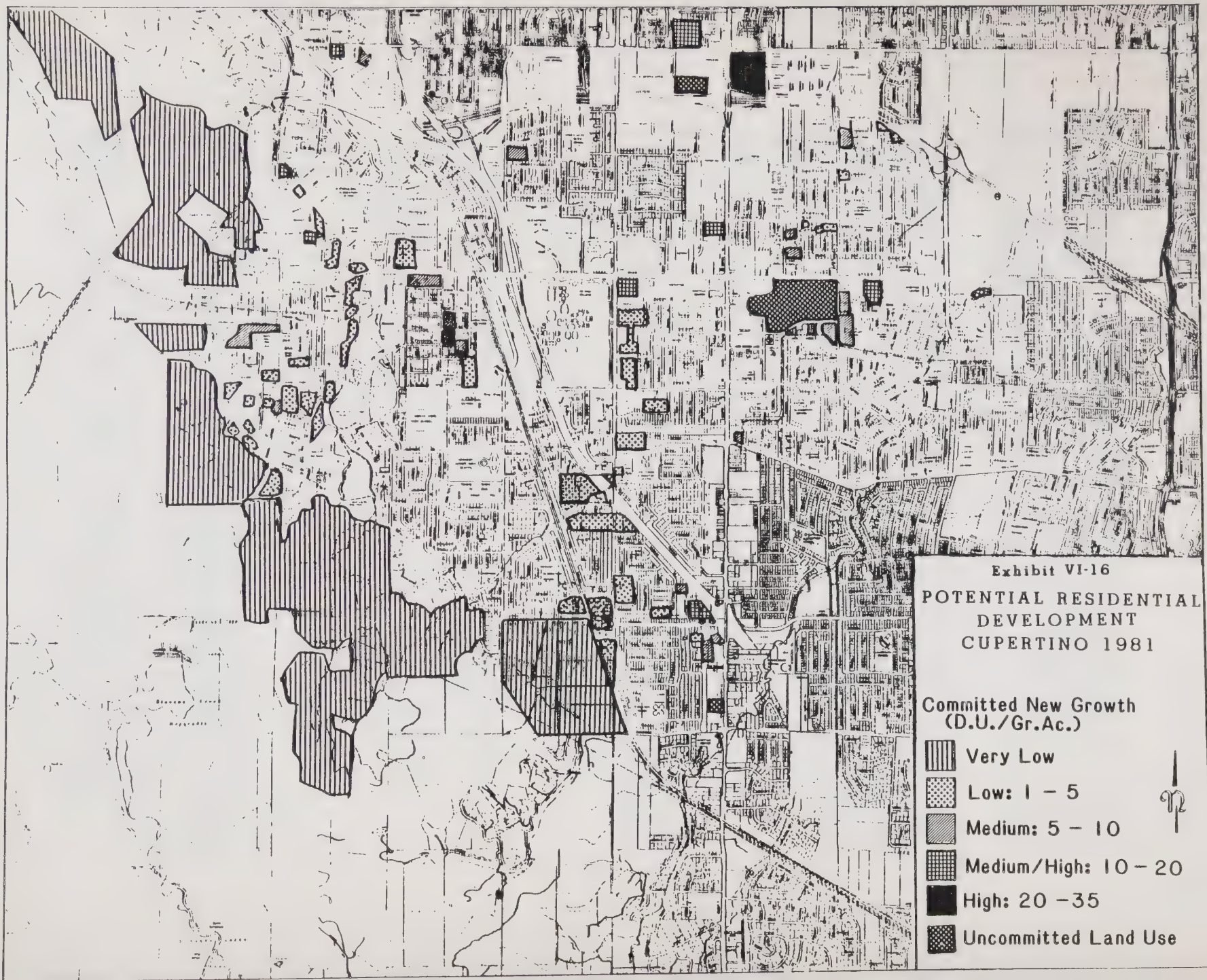


Exhibit VI-17

DISTRIBUTION OF EMPLOYEES BY TYPE AND INCOME LEVEL
CUPERTINO EMPLOYERS
1981

<u>Type of Worker</u>	<u>Annual Income</u>	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>	<u>Company D</u>	<u>Company E</u>
Clerical	\$ 8,000-\$19,000	21.9%	14.6%	5.3%	14.1%	15.6%
Assembly	\$ 9,000-\$16,000	12.5	32.4	4.0	21.8	19.1
Technicians	\$11,000-\$26,000	13.1	4.9	53.3	10.2	15.0
Engineers	\$20,000-\$60,000	28.8	18.6	24.0	27.1	31.0
Administrative	\$20,000-\$70,000	<u>23.7</u>	<u>29.5</u>	<u>13.3</u>	<u>26.8</u>	<u>19.4</u>
TOTAL		100.0	100.0	99.9	100.0	100.1

(1) Companies surveyed: Apple Computers (1,236 employees); Hewlett Packard (4,101 employees); Measurex Corporation (684 employees); Tandem Computers (1,240 employees); Timex Corporation (75 employees).

(2) Totals may not equal 100.0 due to rounding.

SOURCE: Questor Associates.

Based on confidential information supplied by the employers, Questor was able to more precisely define the salary range of the engineering and administrative work categories. Using this information, Questor determined approximate distributions by income for each worker type. For example, approximately 75% of engineering and professional workers employed in Cupertino earn between \$20,000 and \$39,999 each year. Only 25% earn \$40,000 and above. These approximate percentages are presented in Exhibit VI-18.

As explained in Section VII of this report, Fiscal Impact Analysis, Questor has estimated the number of employees generated by the additional office, industrial, and commercial construction permitted under each of the three General Plan scenarios. Based on the results of Questor's survey of Cupertino employers, approximate distributions of workers by building type were developed. For example, the typical office building labor force in Cupertino consists of 30% clerical workers, 33% professional and engineering workers, and 37% administrative workers. Using these percentages, the number of clerical, professional, and administrative workers in office and industrial buildings can be estimated. These numbers of workers are presented in Exhibit VI-19.

Combining the numbers in Exhibit VI-18 and VI-19, Questor was able to estimate the number of workers by type according to four income categories. For example, commercial development under the increased intensity plan will result in approximately an additional 768 clerical workers earning under \$10,000, and 3,501 workers earning between \$10,000 and \$19,999. The results of these calculations are presented in Exhibit VI-20.

D. EVALUATION OF PROPOSED GROWTH SCENARIOS

Cupertino presently has 19,010 dwelling units.⁽¹⁾ The existing General Plan allows for an increase of 600 dwelling units, while the decreased intensity plan allows for an increase of 400 units. The increased scenario allows an additional 720 units, while the intermediate scenario permits an additional 1,720 units (an increase of 9% over the existing level). These figures are presented in Exhibits VI-21 and VI-22.

(1) According to estimates by the Cupertino City Planning Department.

Exhibit VI-18

DISTRIBUTION OF NEW EMPLOYEES BY TYPE & INCOME
(In Percents)
CUPERTINO

<u>ANNUAL INCOME</u>	<u>CLERICAL WORKERS</u>	<u>ENGINEERING/ PROFESSIONAL WORKERS</u>	<u>ADMINISTRATIVE WORKERS</u>	<u>RETAIL WORKERS</u>
Under \$10,000	18%			80%
\$10,000 - \$19,999	82%			15%
\$20,000 - \$39,999		75%	80%	5%
\$40,000 and above		<u>25%</u>	<u>20%</u>	
TOTAL	100%	100%	100%	100%

NOTE: Percentages based on interviews with existing Cupertino employers and California Employment Development Department.

SOURCE: Questor Associates.

Exhibit VI-19

DISTRIBUTION OF ADDITIONAL EMPLOYEES BY TYPE

	TOTAL	In Office Buildings			In Industrial (Research & Development) Buildings			Commercial Buildings
		<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	
Increased Intensity Plan	23,686	2,939	3,232	3,624	1,330	3,472	2,586	6,503
Intermediate Intensity Plan	18,681	3,384	3,723	4,174	876	2,286	1,702	2,536
Existing General Plan	6,378	601	660	740	636	1,662	1,237	842
Decreased Intensity Plan	3,963	403	443	497	472	1,231	917	0

NOTE: Based on the following distribution, as determined by Questor's survey of Cupertino employers.
 Office Building Labor Force: Clerical, 30%; Professional, 33%; Administrative, 37%.
 Industrial Building Labor Force: Clerical, 18%; Professional, 47%; Administrative, 35%.

SOURCE: Questor Associates.

Exhibit VI-20

DISTRIBUTION OF ADDITIONAL EMPLOYEES BY INCOME
#7 INCREASED INTENSITY PLAN
CUPERTINO
1982 - 1990

<u>Annual Income</u>	<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	<u>Retail</u>	<u>Total</u>
Under \$10,000	768			5,202	5,970
\$10,000-\$19,999	3,501			975	4,476
\$20,000-\$39,999		5,028	4,968	326	10,322
\$40,000 and above		<u>1,676</u>	<u>1,242</u>		<u>2,918</u>
TOTAL	4,269	6,704	6,210	6,503	23,686

Intermediate Intensity Plan
Cupertino
1982-1990

<u>Annual Income</u>	<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	<u>Retail</u>	<u>Total</u>
Under \$10,000	767			2,029	2,796
\$10,000-\$19,999	3,493			380	3,873
\$20,000-\$39,999		4,507	4,701	127	9,335
\$40,000 and above		<u>1,502</u>	<u>1,175</u>		<u>2,677</u>
TOTAL	4,260	6,009	5,876	2,536	18,681

Existing General Plan
Cupertino
1982-1990

<u>Annual Income</u>	<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	<u>Retail</u>	<u>Total</u>
Under \$10,000	223			674	897
\$10,000-\$19,999	1,014			126	1,140
\$20,000-\$39,999		1,742	1,582	42	3,366
\$40,000 and above		<u>580</u>	<u>395</u>		<u>975</u>
TOTAL	1,237	2,322	1,977	842	6,378

Decreased Intensity Plan
Cupertino
1982-1990

<u>Annual Income</u>	<u>Clerical</u>	<u>Professional</u>	<u>Administrative</u>	<u>Retail</u>	<u>Total</u>
Under \$10,000	158				158
\$10,000-\$19,999	717				717
\$20,000-\$39,999		1,256	1,131		2,387
\$40,000 and above		<u>418</u>	<u>283</u>		<u>701</u>
TOTAL	875	1,674	1,414	0	3,963

SOURCE: Questor Associates.

Exhibit VI-21

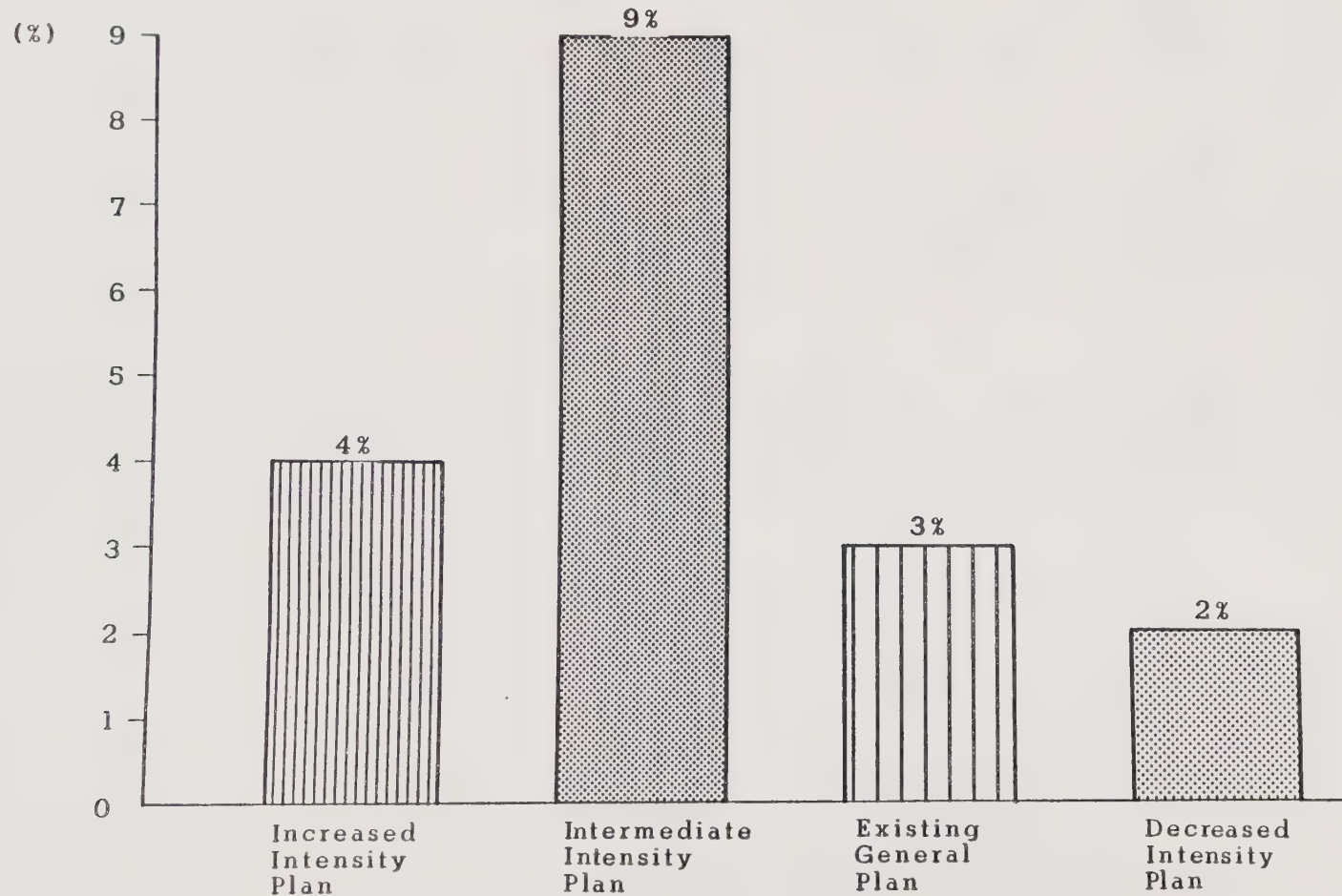
COMPARATIVE LAND USE SUMMARY
RESIDENTIAL CONSTRUCTION
CUPERTINO
August, 1981

	<u>Increased Intensity Plan</u>	<u>Intermediate Intensity Plan</u>	<u>Existing General Plan</u>	<u>Decreased Intensity Plan</u>
Existing/Approved Construction	19,010	19,010	19,010	19,010
Additional New Construction	720	1,720	600	400
Additional Construction as % of Existing/Approved	4%	9%	3%	2%
Total Buildout, in square feet	19,730	20,730	19,610	19,410

SOURCES: City of Cupertino Planning Department;
Questor Associates.

Exhibit VI-22

ADDITIONAL CONSTRUCTION AS PERCENT OF EXISTING/APPROVED CONSTRUCTION
RESIDENTIAL CONSTRUCTION - CUPERTINO 1982



NOTE: PERCENTS CALCULATED ON THE NUMBER OF DWELLING UNITS.

SOURCE: QUESTOR ASSOCIATES.

1. Cupertino Employee Characteristics

In order to more fully understand the housing impacts of increased development, Questor has addressed three questions which relate to housing demand and employment:

- ° How many of the employees currently working in Cupertino live within the City?
- ° How many workers are in the average household?
- ° Is there a supply of unemployed second wage earners in existing households?

The answers to these questions are useful in clarifying the dynamics of the housing market in relation to employment growth.

Employee Residences: Questor surveyed four employers in Cupertino to determine where their existing labor force lives, as shown in Exhibit VI-23. The number of employees who live in Cupertino as a percent of total work forces presently runs from a low of 7.6% to a high of 18.9%. The majority, from 84% to 96%, live in Santa Clara County. The remainder are distributed throughout the County, although over half of the work force lives in the cities of San Jose, Santa Clara, and Sunnyvale. These ratios could be used by the City to develop reasonable goals for housing new employees. The personnel officers explain, however, that many of their existing employees wish to live in Cupertino but cannot, due to 1) high housing prices and mortgage rates, and 2) a near-zero vacancy rate among rental units.

Workers Per Household: The most recent and reliable data on the number of workers per household in Santa Clara County was developed through a survey sponsored by the Santa Clara County Manufacturing Group (Exhibit VI-24). Based on a survey of the employees at five major Silicon Valley employers, the number of workers per household ranges from a low of 1.53 to a high of 1.70. Thus it would appear that a high number of Santa Clara County households already have two members working. These figures are substantiated by the shopping center survey performed by Belden Associates for the San Jose Mercury News, as noted in Section III above. Based on a survey of all women shoppers, 65% were employed either full time or part time. In Vallco, this percent was 76%, and

Exhibit VI-23

DISTRIBUTION OF EMPLOYEES BY RESIDENCE
CUPERTINO EMPLOYERS
1981

	<u>Company A</u>	<u>Company B*</u>	<u>Company C</u>	<u>Company D**</u>
Cupertino	10.8%	7.6%	18.9%	12.1%
Campbell	4.1	2.6	3.9	
Los Altos	1.4	4.2	2.8	
Los Gatos	3.0	2.0	3.1	
Milpitas	1.0	1.6	1.5	
Mountain View	2.7	4.6	4.2	
Palo Alto	1.5	2.6	2.2	
San Jose	35.3	32.4	40.6	
Saratoga	2.3	2.3	5.6	
Santa Clara	9.4	10.9	5.0	
Sunnyvale	10.2	15.3	7.9	
Other Santa Clara County	3.2	1.9	0.4	
Total Santa Clara County	84.9	88.0	96.1	87.1
San Mateo County	1.6	3.7	1.6	
Alameda County	1.6	6.6	1.6	
Santa Cruz County	1.1	1.1	0.7	
Elsewhere	10.7	0.7	0.0	
Total Non-Santa Clara County	15.0	12.1	3.9	12.9
TOTAL	99.9	100.1	100.0	100.0

*Data is 1978 work force.

**Information available for Cupertino and Santa Clara County only.

NOTES: (1) Companies surveyed: Apple Computers (1,236 employees); Hewlett-Packard (2,820 employees); Measurex Corporation (684 employees); Tandem Computers (1,091 employees).

(2) Totals may not equal 100.0 due to rounding.

SOURCE: Questor Associates.

Exhibit VI-24

SURVEY OF WORKERS PER HOUSEHOLD
SANTA CLARA COUNTY EMPLOYERS
1979

<u>Firm</u>	<u>Total Responses</u>	<u>Santa Clara County Ratio</u>
United Technologies	735	1.63
Syntex	749	1.64
Hewlett Packard	1,184	1.70
GTE Sylvania	364	1.53
American Microsystem	543	1.64

SOURCES: The Santa Clara County Manufacturing Group, Vacant Land
in Santa Clara County, 1980;
Questor Associates.

at El Paseo de Saratoga it was as high as 80%. These statistics, as presented in Exhibit VI-25, are an indication that the female labor force in Santa Clara County has a high participation rate.

Supply of Second Wage Earners: Questor has also interviewed personnel officers of local Cupertino firms, as well as representatives from the Employment Development Department offices in Sunnyvale and San Jose. The consensus among those interviewed was that there exists an extreme labor shortage in Santa Clara County for all types of workers. It is difficult to find a typist with a speed of over 50 words per minute, and those with computer experience are especially rare. Retail and general clerical workers, whose jobs normally require a minimum of experience, are also in limited supply.

2. Housing Affordability

Based on the above findings, Questor has concluded that the majority of new employees will have to come from residences outside of Cupertino. A small number of the new employees may come from households already living within the area, including some high school graduates and secondary wage earners.

Based on this assumption, and using the required household incomes as developed in the affordability analysis, it is possible to identify the required worker composition of households needed to purchase or rent housing in Cupertino.

Resales for both single-family homes and condominiums in Cupertino presently require a household income of between \$50,000 and \$70,000. The likely household types which could afford this housing are as follows:

- ° A household with a highly paid professional or administrative worker in conjunction with a highly paid clerical or retail worker;
- ° A household with two mid-range professional or administrative workers.

Exhibit VI-25

EMPLOYMENT STATUS OF WOMEN
SANTA CLARA COUNTY SHOPPERS*
1980

<u>Shopping Centers</u>	<u>Employed Full- or Part-Time</u>
All Women	65%
Women Shoppers	67%
Almaden Plaza	60
Eastridge	68
El Paseo de Saratoga	80
Mayfield Mall	59
Oakridge Mall	69
Prune Yard	67
San Antonio	69
Stanford	85
Stevens Creek Plaza	77
Sunnyvale Town Center	80
Vallco Fashion Park	76
Valley Fair	75
Westgate	65

* Age 18 and older.

SOURCES: San Jose Mercury News, Shopping Center
Questor Associates.

New single-family homes in Cupertino presently require an income of between \$80,000 and \$175,000. The only households eligible for this type of housing would be those with at least two highly paid professional or administrative workers.

Apartments converted into condominiums constitute one of the cheaper forms of housing in Cupertino at present, requiring an income of only approximately \$30,000. Households which would be able to afford this type of housing are as follows:

- ° One or two wage earner households, with the primary wage earner being a mid-range professional or administrative worker;
- ° Two wage earner households, with each wage earner being a highly paid clerical or retail worker.

Rental housing, although difficult to obtain because of low vacancy rates, is the most inexpensive source of housing in Cupertino at present. An income range of between \$17,000 and \$25,000 is necessary to occupy typical rental units in Cupertino. Such units could be afforded by single highly paid clerical and retail workers, and all professional and administrative workers.

In analyzing the impacts of new development in Cupertino on the housing market, it should be emphasized that the major determinant of housing affordability is the interest rate of home mortgages. The federal money supply has a much greater influence over a household's ability to buy a home in Cupertino than the increased housing demand resulting from additional employment. Therefore, while additional employment will increase housing demand, it is unlikely that an up-zoning of land would result in lower housing prices market-wide. Higher density units, however, are generally more affordable due to lower land and construction costs. In addition, the ability of new employees to live in Cupertino will be a function, in part, of their incomes. Employers who wish to locate in Cupertino may be forced to pay higher salaries as a result.

It would appear that only the relatively wealthy households with at least two wage earners will be able to have access to the Cupertino market. Although it is difficult to predict precise worker composition within households, it would appear that a small proportion of the total additional workers will be able to find housing in Cupertino.

Another impact of increased development on the housing market is the number of housing units which research and development corporations in the City either rent or own. These units are held by employers to house newly transferred employees, sales personnel for training seminars, and visiting clients. The building of an additional large hotel in Cupertino would not reduce the demand for these units, since it is more cost-effective for these companies to own or rent housing units rather than to place the large number of visitors in hotel space.

Based on a survey of existing Cupertino employers, Questor found that there was a ratio of one housing unit owned or rented by each employer for every 40 to 70 employees. When this ratio is applied to the number of additional non-commercial workers which will be added under the four General Plan scenarios, a likely range of housing units which would be occupied by these firms can be derived. For example, under the existing General Plan, additional industrial and office space expansion would result in between 79 and 138 housing units being occupied by these firms. These numbers are summarized in Exhibit VI-26. The City may wish to use these statistics to estimate the number of housing units a new employer would need to provide in order to mitigate housing market impacts. This concept, in addition to methods used by neighboring cities in dealing with this issue, is discussed in Section VIII of this report.

Exhibit VI-26

LIKELY NUMBER OF HOUSING UNITS
OCCUPIED BY EMPLOYERS DUE
TO ADDITIONAL GROWTH

CUPERTINO
1981-1990

	<u>Number of Non-Commercial Workers</u>	<u>Number of Housing Units</u>
Increased Intensity Plan	17,183	245-430
Intermediate Intensity Plan	16,145	231-404
Existing General Plan	5,536	79-138
Decreased Intensity Plan	3,963	57-99

NOTE: Based on a ratio of one housing unit owned or rented
by employer in Cupertino per 40 to 70 employees, as
determined by survey of existing employers.

SOURCE: Questor Associates.

VII. FISCAL IMPACT ANALYSIS(1)

This section of the report presents an assessment of the government costs and revenues associated with new development under the four growth scenarios being considered. This section is divided into five parts. The first part presents the general approach and method used to determine fiscal impact assessment. The broad general issues of doing a fiscal impact analysis are discussed, and the precise method utilized in Cupertino is outlined. The second part presents the estimated costs of the four development alternatives derived both quantitatively and from information obtained from interviews with key Cupertino service providers. Estimates of the revenues generated by new development are presented in part three. Part four compares these costs and revenues for the four alternative scenarios, and part five identifies the implications of these estimates and makes several recommendations.

A. METHOD OF ANALYSIS

Generally speaking, fiscal impact analysis is a projection of the direct governmental costs and revenues resulting from future residential and nonresidential growth. It does not gauge the broader social, economic, or environmental costs and benefits of growth. Fiscal impact analysis is exclusively oriented toward measuring direct fiscal impacts; it does not attempt to measure the more indirect or secondary impacts of growth on fiscal accounts. Identifying these subsequent impacts is difficult, and any estimates would be very speculative. Therefore, the more prudent and conservative approach, and the one taken in this analysis, is to focus only on direct fiscal impacts. Certain secondary impacts are probable such as the increased retail spending by new office workers. Such impacts, however, are implicitly included in the general expansion of Cupertino retail considered under the various growth scenarios.

Fiscal impact analysis is basically a "what if" kind of analysis. What would the current fiscal costs and revenues be if the community developed along the lines outlined in the

(1) The Land Economics Group had the primary responsibility for preparing the fiscal impact analysis presented here, and acted in an advisory capacity for the entire economic analysis included in this report.

development alternatives? As such, it should be thought of as a comparative analysis of several alternative plans in terms of their current fiscal costs and revenues. All dollar figures presented in this part are 1980 dollar amounts.

1. General Issues

The six methods used for assessing costs and revenues are:

- ° The per capita multiplier;
- ° The case study;
- ° The service standard;
- ° The comparable city;
- ° The proportional valuation; and,
- ° The employment anticipation.

Based on the types of development analyzed, data availability and resources, a combination of three of the six techniques was chosen for this analysis: the proportional valuation, the per capita multiplier, and the case study. A combination of techniques was warranted so that an assessment could be made of both residential and nonresidential developments and to gauge both the average and marginal costs of growth.

Assessing the fiscal impacts of nonresidential development is difficult. Few localities maintain separate information of what it costs to provide industrial and commercial users with government services. Even with a detailed case study approach, it is extremely difficult to get the managers and directors of local services to estimate what portion of their total operating budgets go to providing services to nonresidential users.

The proportional valuation method is an outgrowth of the recognized difficulties of breaking down costs by user type. It is based on the relationship between the property values of particular types of users and the total property value of

the community. Fundamentally, the proportional valuation method assumes that the costs attributable to commercial properties in a community are equal to the share that the commercial properties represent of the total property valuation of the community. If, for example, one-fourth of the community's total property value is comprised of commercial property, then one-fourth of the community's fire safety costs are allocated to the commercial property.

This approach is reasonable for governmental services that are property-oriented, such as fire safety, police protection, and street maintenance. There is a consistent relationship between property values and the benefit derived from the services. However, the method does not work well for services oriented to people, such as schools and welfare. For these services, a per capita cost estimate is more appropriate.

2. The Proportional Valuation Method

The proportional valuation method can be presented by a formula:

$$ME_n = ME_T \times \frac{NV}{TV} \times C$$

where ME_n = Total Existing Municipal Expenditures
Attributed to Nonresidential Uses

ME_T = Total Municipal Expenditures

NV = Nonresidential Value

TV = Total Local Real Property Value

C = Refinement Coefficient

ME_T is easily determined from the Cupertino budget. NV and TV are from the Santa Clara County Assessor's Office. C , the refinement coefficient, requires some explanation.

The proportional valuation method assumes that property values can be used to allocate municipal costs across types of properties. However, experience has shown that while the direction of cost allocation is relatively accurate, as the

average value of nonresidential property significantly differs from the average value of all existing property, the direct proportional allocation of costs tends to be either overstated or understated.

The refinement coefficients, which are based on empirical testing(1), are used to adjust the cost allocations. Appendix C contains a graph from which the refinement coefficients are obtained.

2. Application to Cupertino

To illustrate the formula, the following base data for Cupertino were used (all figures are from 1980):

$$ME_T = \$ 7,630,487$$

$$NV = \$ 85,955,020$$

$$TV = \$263,587,589$$

$$C = 0.45$$

The refinement coefficient is based on the ratio of the average nonresidential property assessed value to the average residential property assessed value.

$$\frac{\text{Average Nonresidential Property Value}}{\text{Average Residential Property Value}} = \frac{125,481}{2,651} = 47.3$$

This figure indicates that, on average, a nonresidential property in Cupertino is about 47 times as valuable as a residential one. This 47.3 figure is applied to the chart contained in Appendix C to determine the refinement coefficient of 0.45. This coefficient provides an adjustment for the problem which arises in direct proportional allocation of costs when the average value of nonresidential property significantly differs from the average value of all property, as discussed above.

(1) Conducted by the Center for Urban Policy Research, Rutgers, New Jersey.

With the values for ME_T , NV, TV and C known, the formula can be solved for ME_N :

$$ME_N = \$7,630,487 \times \frac{\$85,955,020}{\$263,587,589} \times 0.45$$

$$ME_N = \$1,119,736$$

Therefore, as of 1980, the amount of total municipal expenditures attributed to nonresidential uses is \$1,119,736.

3. Applying Proportional Valuation to Incremental Growth

The next step in the proportional valuation method is to determine the incremental costs likely to occur if nonresidential development follows the patterns outlined in the four scenarios of increased intensity, intermediate intensity, existing plan, and decreased intensity. Before calculating incremental costs, it is necessary to determine the anticipated property values of the nonresidential development under each scenario. Exhibits VII-1, VII-2, VII-3 and VII-4 present the estimates for each respective scenario. Gross income is calculated using estimated square footage and rent levels. Typical operating expenses are subtracted, and the resulting net annual income is translated into a market value using a capitalization rate.

Using these estimates, the following formula was used to determine the costs likely to occur with the nonresidential development under each scenario:

Costs assignable to the new nonresidential development (for each scenario)	=	Total municipal expenditures assigned to the nonresidential sector (\$1,119,736)	x	Proportion of new nonresidential facilities to total local nonresidential real property value	x	Refinement Coefficient
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Once these costs assignable to the nonresidential growth for each scenario are determined, they are allocated across the City's various departments. This allocation is based on the 1980 distribution of Cupertino services. The distribution of expenditures as of 1980-1981 is presented in Exhibit VII-5.

Exhibit VII-1

ESTIMATE OF INCREASED NONRESIDENTIAL PROPERTY VALUE
UNDER "INCREASED" DEVELOPMENT SCENARIO
BY TYPE OF DEVELOPMENT

	<u>Industrial</u>	<u>Office</u>	<u>Commercial</u>
Gross Space (in sq. ft.)	2,787,870	2,448,727	2,665,222 (1)
Rent/Sq.Ft./Yr. (2)	\$10.80	\$15.00	\$10.80
Net Sq.Ft./Gross Sq.Ft. (3)	1.00	.825	.825
Gross Income	\$30,108,996	\$30,302,997	\$23,747,128
Operating Expenses	\$ 7,527,249 (4)	\$12,121,199 (5)	\$ 5,936,782 (6)
Annual Income	\$22,581,747	\$18,181,798	\$17,810,346
Capitalization Rate (7)	<u>9.5%</u>	<u>8.75%</u>	<u>9.25%</u>
Market Value	\$237,702,600	\$207,791,977	\$192,544,281
Assessed Value (8)	\$58,425,650	\$51,947,994	\$48,136,070
Total Assessed Value (Industrial, Office, Commercial):	\$159,509,714		

-
- (1) Assuming 640,000 square feet for hotel.
(2) Based on interviews with developers and County Assessor.
(3) Based on ratios at Vallco Park.
(4) 25% of Gross Income.
(5) 40% of Gross Income.
(6) 25% of Gross Income.
(7) Based on interviews with realtors and appraisers in Santa Clara County.
(8) Based on 25% of market value.

SOURCE: The Land Economics Group.

Exhibit VII-2

ESTIMATE OF INCREASED NONRESIDENTIAL PROPERTY VALUE
UNDER "INTERMEDIATE" DEVELOPMENT SCENARIO
BY TYPE OF DEVELOPMENT

	<u>Industrial</u>	<u>Office</u>	<u>Commercial</u>
Gross Space (in sq. ft.)	1,835,441	2,820,344	1,039,207 (1)
Rent/Sq.Ft./Yr. (2)	\$10.80	\$15.00	\$10.80
Net Sq.Ft./Gross Sq.Ft. (3)	1.00	.825	.825
Gross Income	\$19,822,763	\$34,901,757	\$9,259,334
Operating Expenses	\$ 4,955,691 (4)	\$13,960,703 (5)	\$2,314,834 (6)
Annual Income	\$14,867,072	\$20,941,054	\$6,944,500
Capitalization Rate (7)	<u>9.5%</u>	<u>8.75%</u>	<u>9.25%</u>
Market Value	\$156,495,495	\$239,326,331	\$75,075,676
Assessed Value (8)	\$39,123,874	\$59,831,583	\$18,768,919
Total Assessed Value (Industrial, Office, Commercial):	\$117,724,376		

(1) Assuming 640,000 square feet for hotel.

(2) Based on interviews with developers and County Assessor.

(3) Based on ratios at Vallco Park.

(4) 25% of Gross Income.

(5) 40% of Gross Income.

(6) 25% of Gross Income.

(7) Based on interviews with realtors and appraisers in Santa Clara County.

(8) Based on 25% of market value.

SOURCE: The Land Economics Group.

Exhibit VII-3

ESTIMATE OF INCREASED NONRESIDENTIAL PROPERTY VALUE
UNDER "EXISTING" DEVELOPMENT SCENARIO
BY TYPE OF DEVELOPMENT

	<u>Industrial</u>	<u>Office</u>	<u>Commercial</u>
Gross Space (in sq. ft.)	1,333,870	500,327	345,022
Rent/Sq.Ft./Yr. (1)	10.80	15.00	10.80
Net Sq.Ft./Gross Sq.Ft. (2)	1.00	.825	.825
Gross Income	\$14,405,796	\$6,191,547	\$3,074,146
Operating Expenses	<u>3,601,449 (3)</u>	<u>2,476,619 (4)</u>	<u>768,537 (5)</u>
Annual Income	\$10,804,347	\$3,714,928	\$2,305,609
Capitalization Rate (6)	<u>9.5%</u>	<u>8.75%</u>	<u>9.25%</u>
Market Value	\$113,729,968	\$42,456,320	\$24,925,503
Assessed Value (7)	\$28,432,492	\$10,614,080	\$6,231,376
Total Assessed Value (Industrial, Office, Commercial):	<u>\$45,277,948</u>		

(1) Based on interviews with developers and County Assessor.

(2) Based on ratios at Vallco Park.

(3) 25% of Gross Income.

(4) 40% of Gross Income.

(5) 25% of Gross Income.

(6) Based on interviews with realtors and appraisers in Santa Clara County.

(7) Based on 25% of market value.

SOURCE: The Land Economics Group.

Exhibit VII-4

ESTIMATE OF INCREASED NONRESIDENTIAL PROPERTY VALUE
UNDER "DECREASED" DEVELOPMENT SCENARIO
BY TYPE OF DEVELOPMENT

	<u>Industrial</u>	<u>Office</u>	<u>Commercial</u>
Gross Space (in sq. ft.)	998,670	335,827	(13,478)
Rent/Sq.Ft./Yr. (1)	10.80	15.00	10.20
Net Sq.Ft./Gross Sq.Ft. (2)	1.00	.825	.825
Gross Income	\$10,785,636	\$4,155,859	\$113,417
Operating Expenses	<u>2,696,409 (3)</u>	<u>1,662,344 (4)</u>	<u>28,354 (5)</u>
Annual Income	\$ 8,089,227	\$2,493,515	(? 85,063)
Capitalization Rate(6)	<u>9.5%</u>	<u>8.75%</u>	<u>9.25%</u>
Market Value	\$85,149,758	\$28,497,314	(\$919,600)
Assessed Value(7)	\$21,287,439	\$7,124,329	(\$229,900)
Total Assessed Value (Industrial, Office, Commercial):	\$28,181,868		

(1) Based on interviews with developers and County Assessor.

(2) Based on ratios at Vallco Park.

(3) 25% of Gross Income.

(4) 40% of Gross Income.

(5) 25% of Gross Income.

(6) Based on interviews with realtors and appraisers in Santa Clara County.

(7) Based on 25% of market value.

SOURCE: The Land Economics Group.

Exhibit VII-5

DISTRIBUTION OF GOVERNMENT EXPENDITURES
CITY OF CUPERTINO
1980 - 1981

<u>Service Categories</u>	<u>Expenditure</u>	<u>Percent</u>
General Government	\$1,287,495	16.9
Public Safety	2,466,967	32.3
Public Works	2,379,435	31.2
Recreation and Culture	1,258,040	16.5
Debt Service	112,300	1.5
General Trust Funds	<u>126,250</u>	<u>1.7</u>
	<u>\$7,630,487</u>	<u>100.0</u>

SOURCE: The Land Economics Group.

4. Factoring in Residential Costs: The Per Capita Method

In order to determine the total fiscal costs associated with each development scenario, we have also calculated the costs likely to occur as a result of additional residential development. These costs are determined for the following categories:

- ° General government;
- ° Public safety;
- ° Public works;
- ° Recreation and culture; and,
- ° Fremont Union Schools and Cupertino School District.

These costs are estimated on a per capita basis. Using the 1980-1981 budget estimate of \$7,630,487 for total City expenditures, the residential expenditure component can be determined as follows:

Total City Expenditures	\$7,630,487
Less Nonresidential Component	<u>1,119,736</u>
Residential Component	\$6,510,751

In per capita terms, the cost is estimated to be:

$$\frac{\$6,510,751}{35,200*} = \$184.96$$

* 1980 population U.S. Census,
Preliminary Count.

A similar method is used to estimate school costs. Here we use per student cost estimates to determine the school cost estimates under each alternative. Student enrollment increases under each scenario are presented in Exhibit VII-6.

Exhibit VII-6

STUDENT POPULATION GROWTH
AND COST IMPACTS UNDER
DEVELOPMENT SCENARIOS

	Scenarios			
	<u>Increased</u>	<u>Intermediate</u>	<u>Existing</u>	<u>Decreased</u>
<u>Fremont Union</u>				
Student Population Growth	62	149	52	43
<u>Cupertino Union</u>				
Student Population Growth	<u>149</u>	<u>357</u>	<u>124</u>	<u>102</u>
TOTAL Student Population Growth	<u>211</u>	<u>506</u>	<u>176</u>	<u>145</u>

SOURCE: The Land Economics Group.

5. Using Per Capita Figures to Assess the Scenarios

To estimate the anticipated residential cost component associated with the increased population under each scenario, the per capita cost factor is multiplied by the increase in population. Exhibit VII-7 presents estimates of additional housing units and population growth for each development scenario. Cost estimates are presented below in Section B.2.

6. Fine-tuning the Cost Estimates: Case Study Interviews

An assumption underlying both the proportional valuation and the per capita cost estimation method is that marginal costs are equal to average costs. This will be the case only if the new development does not require the building of additional municipal service facilities. For example, so long as additional high school students do not force the school district to build a new school, per capita average costs will accurately reflect the non-capital additional costs of schooling. However, if new students require that a new school be built, the average costs will underestimate the true fiscal costs. This is true because the average costs ignore the marginal costs of building a new school.

To avoid underestimating future costs, the major providers of public services were interviewed to determine how much excess capacity is available and whether the growth forecasts under each scenario will create substantial marginal costs. Interviews were conducted with representatives of the following agencies:

- ° San Jose Water Works;
- ° Cupertino Sanitary District;
- ° California Water Services;
- ° Central Fire District;
- ° Fremont Union High School District; and,
- ° Cupertino School District.

Exhibit VII-7

GROWTH IN HOUSING UNITS AND
POPULATION BY DEVELOPMENT
SCENARIOS

	Scenarios			
	<u>Increased</u>	<u>Intermediate</u>	<u>Existing</u>	<u>Decreased</u>
Housing Units	720	1,720	600	400
Population	1,584	3,784	1,320	1,084
P/H	2.20	2.20	2.20	2.71

SOURCE: The Land Economics Group.

7. Estimating Revenues

City revenues are estimated for the following sources:

- ° Property taxes;
- ° Sales tax revenues;
- ° Licenses, permits, interest earnings, fines and other revenues; and,
- ° Intergovernmental transfers.

Property tax revenues are estimated on the basis of estimated increases in the assessed property base. Sales taxes are estimated on an historically determined per square foot rate of \$1.1758, and the others are estimated according to a per capita, per house, or per employee base.

B. COST ESTIMATES

This section presents public sector expenditures resulting from growth permitted under each scenario. Costs are identified for nonresidential and residential growth and for the two school districts.

1. Nonresidential Cost Impacts

Following the incremental, proportional valuation cost estimating formula outlined above, Exhibit VII-8 presents cost estimates of new nonresidential development for the four scenarios. These total nonresidential incremental costs can be allocated across Cupertino's main service categories and are presented in Exhibit VII-9.

Exhibit VII-8

ESTIMATES OF NEW NONRESIDENTIAL FISCAL COSTS
FOR THE FOUR DEVELOPMENT SCENARIOS

Scenario	Incremental Non-residential Fiscal Costs = Impacts	Total Municipal Expenditures Assigned to the Nonresidential Sector	Proportion of New Nonresidential Facilities to Total Nonresidential Real Property Value x	Refinement Coefficient* (from Appendix C)
Increased	\$416,542	\$1,119,736	$\frac{\$159,509,714}{\$85,955,020}$ (1.86)	0.20
Intermediate	\$352,829	\$1,119,736	$\frac{\$117,724,376}{\$85,955,020}$ (1.37)	0.23
Existing	\$136,496	\$1,119,736	$\frac{\$45,277,948}{\$85,955,020}$ (0.53)	0.23
Decreased	\$96,073	\$1,119,736	$\frac{\$28,181,868}{\$85,955,020}$ (0.33)	0.26

* Since the increment will not come as one project, the refinement coefficient has been adjusted to reflect multiple projects. We assumed that 30 projects would be built under both the "Increased" and "Intermediate" scenarios, and 10 projects under both the "Existing" and "Decreased" scenarios. These assumptions are based on historical development trends and the likely square footage within a single project.

SOURCE: The Land Economics Group.

Exhibit VII-9

ESTIMATED INCREMENTAL NONRESIDENTIAL FISCAL
COSTS BY SERVICE CATEGORY AND
DEVELOPMENT SCENARIOS*

Service Category	Scenario			
	Increased	Intermediate	Existing	Decreased
General Government	\$ 72,478	\$ 61,392	\$ 23,750	\$16,717
Public Safety	139,125	117,845	45,590	32,088
Public Works	134,127	113,611	43,952	30,936
Recreation and Culture	<u>70,812</u>	<u>59,981</u>	<u>23,204</u>	<u>16,332</u>
TOTAL	<u>\$416,542</u>	<u>\$352,829</u>	<u>\$136,496</u>	<u>\$96,073</u>

* Debt service and general trust funds excluded. Estimates are in 1980 dollars.

SOURCE: The Land Economics Group.

2. Residential Component Costs

Next, residential development related growth costs can be calculated. As indicated above in Section A.4, per capita costs associated with residential development are estimated to be \$184.96. As illustrated in Exhibit VII-7, population under the increased, intermediate, existing, and decreased development scenarios are anticipated to be 1,584, 3,784, 1,320, and 1,084, respectively. Total residential component costs by service category and scenario are presented in Exhibit VII-10.

3. School District Costs

School costs are estimated based on anticipated student population growth, as presented in Exhibit VII-6. Per pupil costs are \$2,527 for the Cupertino School District and \$2,457 for the Fremont Union High School District. School costs for both districts are presented in Exhibit VII-11.

4. Combined Cost Estimates

The overall municipal and school district costs likely to be generated by growth under the four scenarios are presented in Exhibit VII-12. Total cost impacts are estimated to range from \$2.3 million for the intermediate scenario, to \$1.2 for the increased, \$0.8 million for existing and \$0.7 for the decreased plan scenarios. The intermediate scenario is substantially greater than any of the others, and appears to be due largely to the greater schooling costs associated with its large housing development component. However, before comparing the revenues for each scenario, a review of the interviews with the City's major service providers is warranted.

5. Interviews with Service Providers

During October 1981, a letter was sent to agencies providing major public services to Cupertino including water, sewers, fire safety and schools. The letter reviewed the potential development likely to occur under the alternatives, the location of such development, and the estimated costs of providing services. Each agency was asked to review our estimates.

Exhibit VII-10

ESTIMATED INCREMENTAL RESIDENTIAL FISCAL
COSTS BY SERVICE CATEGORY
AND DEVELOPMENT SCENARIO*

Service Category**	Scenario			
	Increased	Intermediate	Existing	Decreased
General Government	\$ 50,978	\$121,781	\$ 42,482	\$ 34,886
Public Safety	97,854	233,763	81,545	66,966
Public Works	94,339	225,364	78,615	64,560
Recreation & Culture	<u>49,806</u>	<u>118,981</u>	<u>41,505</u>	<u>34,085</u>
TOTAL	<u>\$292,977</u>	<u>\$699,889</u>	<u>\$244,147</u>	<u>\$200,497</u>

* Debt service and general trust funds excluded. Estimates in 1980 dollars.

** Allocation across budget categories is based on historical distributions.

SOURCE: The Land Economics Group.

Exhibit VII-11

ESTIMATED INCREMENTAL SCHOOL COST IMPACTS
BY DEVELOPMENT SCENARIO*

<u>School District</u>	<u>Scenario</u>			
	<u>Increased</u>	<u>Intermediate</u>	<u>Existing</u>	<u>Decreased</u>
Fremont Union	\$152,334	\$ 366,093	\$127,764	\$105,651
Cupertino	<u>376,523</u>	<u>902,139</u>	<u>313,348</u>	<u>257,754</u>
TOTAL	<u>\$528,857</u>	<u>\$1,268,232</u>	<u>\$441,112</u>	<u>\$363,405</u>

* All figures in 1980 dollars. Figures are based upon per pupil costs of both districts multiplied by the number of students generated under each scenario.

SOURCE: The Land Economics Group.

Exhibit VII-12

ESTIMATED INCREMENTAL COST IMPACTS
BY SERVICE CATEGORY AND SCENARIO*

	Scenario			
	Increased	Intermediate	Existing	Decreased
<u>Nonresidential Impact</u>				
General Government	\$ 72,478	\$ 61,392	\$ 23,750	\$ 16,717
Public Safety	139,125	117,845	45,590	32,088
Public Works	134,122	113,611	43,952	30,936
Recreation & Culture	70,812	59,981	23,204	16,332
TOTAL	\$ 416,542	\$ 352,829	\$136,496	\$ 96,073
<u>Residential Impact</u>				
General Government	\$ 50,978	\$ 121,781	\$ 42,482	\$ 34,886
Public Safety	97,854	233,763	81,545	66,966
Public Works	94,339	225,364	78,615	64,560
Recreation & Culture	49,806	118,981	41,505	34,085
TOTAL	\$ 292,977	\$ 699,889	\$244,147	\$200,497
<u>Combined Impacts</u>				
General Government	\$ 123,456	\$ 183,173	\$ 66,232	\$ 51,603
Public Safety	236,979	351,608	127,135	99,054
Public Works	228,466	338,975	122,567	95,496
Recreation & Culture	120,618	178,962	64,709	50,417
TOTAL	\$ 709,519	\$1,052,718	\$380,643	\$296,570
<u>School District Impacts</u>				
Fremont Union	\$ 152,334	\$ 366,093	\$127,764	\$105,651
Cupertino Schools	376,523	902,139	313,348	257,754
TOTAL	\$ 528,857	\$1,268,232	\$441,112	\$363,405
<u>TOTAL Municipal and School Impact:</u>				
	\$1,238,376	\$2,320,950	\$821,755	\$659,975

* In 1980 dollars.

SOURCE: The Land Economics Group.

During the week of October 19, 1981, each agency was telephoned to discuss our estimates and the potential impacts of development on service delivery and cost.(1) These interviews serve as a cross-check for the cost and revenue estimates calculated above. The interviews were informative and revealed service areas where substantial marginal costs may result from additional growth. The results of the interviews are outlined below.

- a. Water Service — Both the San Jose Water Works (a private company) and the California Water Service Company indicated that they were capable of accommodating additional development without substantial marginal costs. Since both agencies require developers to front-end capital costs, any incremental growth will "pay its own way". Developers recapture their costs through hookup fees and charges. In the case of the San Jose Water Works, developers have been recapturing costs in about 10 years.

In cases where infrastructure is needed over and above what can be paid for by developers, e.g., lift stations, the agencies can issue revenue bonds to finance infrastructure. Fees for water can be adjusted to amortize these bonds.

Neither agency believed that they would have difficulty meeting additional water needs as long as there was no radical departure from regional water system capital plans.

- b. Cupertino and Fremont Union School Districts - Both districts continue to experience declining enrollments and neither foresees any problem meeting additional school enrollment generated by development. Given state payments to districts for average daily attendance, the schools break even on their operating costs.
- c. Central Fire District — Unlike water services and schools, the Central Fire District is in a severe financial bind. The slow budget growth inflicted by the passage of Proposition 13 has

(1) See Appendix A for a list of respondents.

forced the District to cut its operating levels. Operating costs have risen faster than the budget, so employment and recurring expenses have been cut back.

No new capital expansion projects are planned except for a project in the Seven Springs area. Additional development has been handled from existing stations and is likely to be in the future.

In terms of Cupertino's additional development, without the infusion of considerable financial resources to fund additional firefighting personnel and equipment, the level and quality of service will suffer. The District is particularly worried about high-rise development, since it means a need for more equipment and more manpower.

During December, 1981 several meetings were held between Cupertino planning staff and Central Fire Protection District staff to determine the service load and cost impacts of the alternative development scenarios, especially the high-rise structures likely to be built under the increased intensity scenario. A letter to the City Manager, from the Acting Chief of the Central Fire Protection District, outlines the necessary adjustments fire services must make if the high-rise structures are to be maintained.

If the increased intensity development scenario is achieved the Central Fire District will need to increase its staff by 15 firefighters adding (at 1981-1982 rates) \$773,000 to annual costs. Additional capital equipment and training needed are: a new station or major renovation of the Cupertino station, a new 1,500 gallon-per-minute pumper, miscellaneous equipment, and high-rise fire-fighting training. These costs total \$945,000.

The Central Fire Prevention District's total incremental costs are estimated to be \$1,718,000. The letter outlining these costs is contained in Appendix D.

The respondent thought that a one-time capital charge or fee would be helpful, but what is really needed is a perpetual fee arrangement to help the Fire District maintain an adequate

level of service. Setting such fees will be complicated, since about two-thirds of the District's calls are to residential clients; assessing high fees on new commercial and industrial development raises problems about the fairness of taxes across users.

- d. Cupertino Sanitary District — Officials of the Cupertino Sanitary District have indicated that the present capacity of their interceptor sewer is sufficient to handle the effluent likely to be generated under the increased intensity scenario. Some internal improvements may be needed, but these changes are not expected to generate extraordinary costs.
- e. Summary of Interviews — Major capacity bottlenecks for water and sewer services do not appear to be a problem at the present time. However, fire treatment constraints are imminent and are likely to raise substantially the incremental costs.(1)

C. REVENUE ESTIMATES

The revenues associated with the development scenarios include property taxes, sales taxes, licenses, permits and other fees, charges, fines and subventions. Property taxes are based on incremental property value changes. Sales taxes are estimated on the basis of sales taxes per square foot of additional retail space. Other revenue sources are based on historical per capita rates. Exhibit VII-13 presents incremental revenues.

Combined property assessment, both residential and nonresidential (at full market value), are assumed to increase by \$710,038,856, \$642,897,504, \$313,111,792, and \$237,387,472 for the increased, intermediate, existing and decreased development scenarios.(2) The property taxes are based on a full 1% levy, of which the City receives 2%.

- (1) The problems of fire protection are acute since revenue bonds cannot be floated to cover increased costs.
- (2) Commercial, industrial and office values are from Exhibits VIII-1, VIII-2, VIII-3 and VIII-4. Residential values are: \$72,000,000, \$172,000,000, \$132,000,000, and \$124,660,000, respectively for the increased, intermediate, existing, and decreased scenarios.

Exhibit VII-13

ESTIMATED INCREMENTAL REVENUE IMPACTS

	Scenario			
	<u>Increased</u>	<u>Intermediate</u>	<u>Existing</u>	<u>Decreased</u>
<u>Municipal Revenues</u>				
Property Taxes	\$ 142,000	\$ 128,600	\$ 62,600	\$ 47,500
Sales Taxes	3,133,800	1,221,800	405,700	(15,800)
Other Revenues	1,486,100	1,276,000	436,800	274,500
Intergovernment Transfers	<u>91,900</u>	<u>219,500</u>	<u>76,600</u>	<u>62,900</u>
TOTAL Municipal	\$4,853,800	\$2,845,900	\$ 981,700	\$ 369,100
<u>School District Revenues</u>				
General	\$2,975,000	\$2,693,700	\$1,311,900	\$ 994,700
Bonds	<u>828,900</u>	<u>750,600</u>	<u>365,600</u>	<u>277,100</u>
TOTAL School	\$3,803,900	\$3,444,300	\$1,677,500	\$1,271,800
TOTAL Municipal and School	<u>\$8,657,700</u>	<u>\$6,290,200</u>	<u>\$2,659,200</u>	<u>\$1,640,900</u>

SOURCE: The Land Economics Group.

Exhibit VII-13 illustrates that both the increased and intermediate development scenarios generate substantial revenues.(1)

Due to Proposition 13, transferred property is assessed at a new, higher value. It may be true that residential properties may turn-over more rapidly than commercial properties; if so, the tax burden may shift from the owners of commercial properties to the owners of residential properties. In addition, Proposition 13 reduces the overall rate of growth in the tax base relative to what could have been expected without the passage of this law.

D. COMPARISON OF FISCAL COSTS AND REVENUES

Exhibit VII-14 presents both the estimated costs and revenues for the four development scenarios. The comparison of revenues and costs indicates that while all alternative generate a surplus of revenues after costs are subtracted, the increased intensity scenario is by far the most "profitable" to the city. Even after subtracting out the costs of additional fire protection enumerated in the Fire District's letter, of \$1,718,000, the increased intensity plan still shows a large surplus of \$5,701,300.

The other scenarios generate fiscal surpluses for both the City and the school districts, and they, like the increased intensity scenario, would be fiscally advantageous. The substantial fiscal surplus likely to be created by the increased development alternative warrants that it be given primary consideration in subsequent planning and policy research.

However, just because the increased intensity alternative generates the largest fiscal surplus does not justify it as the best alternative. Other important planning considerations should also serve as criteria for assessing the future merit of this alternative, such as the environmental, social and broad-scale economic impacts. These considerations are addressed and recommendations made in the section below.

(1) As a cross-check on these estimates of costs and revenues, budgets for five cities of similar population size were compared with Cupertino. These budgets are contained in Appendix E.

Exhibit VII-14

COMBINED INCREMENTAL COST AND RESERVE ESTIMATES
FOR THE FOUR DEVELOPMENT SCENARIOS

	<u>Increased</u>	<u>Intermediate</u>	<u>Existing</u>	<u>Decreased</u>
Municipal				
TOTAL REVENUES	\$4,853,800	\$2,845,900	\$981,700	\$369,100
TOTAL COSTS	<u>709,500</u>	<u>1,052,700</u>	<u>380,600</u>	<u>296,600</u>
BALANCE	\$4,144,300	\$1,793,200	\$601,100	\$ 72,500
Combined School Districts				
TOTAL REVENUES	\$3,803,900	\$3,444,300	\$1,677,500	\$1,271,800
TOTAL COSTS	<u>528,900</u>	<u>1,268,200</u>	<u>441,100</u>	<u>363,400</u>
BALANCE	\$3,275,000	\$2,176,100	\$1,236,400	\$ 908,400
Combined Municipal and School				
TOTAL REVENUES	\$8,657,700	\$6,290,200	\$2,659,200	\$1,640,900
TOTAL COSTS	<u>1,238,400</u>	<u>2,320,900</u>	<u>821,700</u>	<u>660,000</u>
BALANCE	<u>\$7,419,300</u>	<u>\$3,969,300</u>	<u>\$1,837,500</u>	<u>\$ 980,900</u>

Source: The Land Economics Group.

E. IMPLICATIONS AND RECOMMENDATIONS

While the increased intensity scenario generates the greatest fiscal surplus, both it and the intermediate and existing plan alternatives constitute fiscally usable alternatives.

1. Implications

The key issues of environmental, social and urban design impacts left untouched by this study should play a crucial role in helping the City select the most desirable course of action. Major service capacity constraints pertaining to adequate fire protection also appear imminent and are critical issues that warrant careful assessment by the City's Planning Department.

Related to these capacity and service quality issues is a more fundamental question: How will services be financed in the future? What kinds of fees, charges and extractions can best be implemented equitably and efficiently to fund public services?

2. Recommendations

Questor Associates recommends that the City of Cupertino:

- ° Focus on the increased intensity and intermediate plan scenarios and assess the broad environmental, social and urban design impacts of both;
- ° Convene a meeting of agencies providing services and pinpoint the likely marginal costs and delivery problems of servicing development under the increased and existing scenarios; and,
- ° Establish a public/private task force of department heads, developers and business executives to consider how to finance new infrastructure and services.

VIII. CONCLUSIONS AND RECOMMENDED MITIGATION MEASURES

The preceding sections of this report have presented an in-depth analysis of the market and fiscal impacts associated with the three versions of the Cupertino General Plan presently under consideration. This final section is 1) a summary of the conclusions reached in the above analysis, and 2) a series of recommendations concerning steps which the City might take to mitigate negative impacts.

The market forces which influence land use decisions do not function in isolation. For example, the extent and intensity of residential development has a strong impact on retail demand; similarly, office and industrial development impacts residential demand. Thus, the various markets examined in this report form a dynamic, interactive framework within which land use decisions are made. Ultimately, the City of Cupertino must amend the General Plan to achieve policy objectives in light of these market patterns and trends.

A. RETAIL MARKET CONCLUSIONS

The level of commercial development permitted under the existing and intermediate intensity General Plan scenarios both have a high degree of market feasibility. The commercial build-out of over 2 million square feet allowed under the increased intensity plan, however, would appear to be difficult to support given the projected levels of population and employment growth.

The major negative impacts of commercial expansion in Cupertino would largely fall on centers outside the City. With respect to specific shopping centers, the expansion of Vallco Fashion Park in particular would have a negative impact on Sunnyvale Town Center and the Valley Fair/Stevens Creek project. Local Cupertino retailers most likely to be negatively impacted by an expansion of Vallco Fashion Park would be specialty stores that sell goods similar to those of Vallco, such as the high fashion apparel stores found in several centers along Stevens Creek Boulevard.

Questor's analysis indicates that between 400,000 and 500,000 square feet of commercial space can be absorbed over the next

five years. During the mid-1980s, a re-evaluation of the retail market should be performed to determine the extent of additional demand which might occur due to employment and population growth.

Questor also recommends that the retail viability of the Crossroads-Town Center area could be enhanced by encouraging mixed-use developments. Office and residential developments of a relatively high density within walking distance of retail stores could serve to create a healthy retail environment in this area. Depending upon the amount of restaurant and entertainment facilities built on the Vallco property, the Town Center area could specialize in these retail sectors.

B. OFFICE MARKET CONCLUSIONS

Demand for office space in Cupertino is expected to be strong throughout the 1980s; thus, all four General Plan scenarios are feasible in terms of market criteria. To avoid a temporary oversupply in the office space market, however, Questor would recommend that no more than 400,000 square feet be marketed in any one year.

C. INDUSTRIAL MARKET CONCLUSIONS

Demand for research and development space in Cupertino is also expected to be strong during the 1980s; thus, all four General Plan scenarios have a high degree of market feasibility. Questor recommends that the City encourage buildings of at least two stories in height to allow a more efficient use of land. To avoid a temporary oversupply of industrial space, however, Questor recommends that no more than one industrial building be brought on the market within a two- to three-month period. The City should encourage the use of pre-leasing techniques, as opposed to speculative building.

D. HOUSING MARKET CONCLUSIONS

The vast majority of new employees will likely come from residences outside Cupertino. Only those households with two wage earners of relatively high incomes are likely to be able to afford housing within the City. While demand for housing in Cupertino will increase as a result of additional employment, it is unlikely that this increased demand will be a significant factor in determining the cost of housing in the City. The price of houses and rent levels are more likely to be affected by 1) the federal money supply, and 2) the wages paid by Silicon Valley employers to new employees.

The increased employment will aggravate, however, the existing imbalance between jobs and housing in Santa Clara County. Based on 1979 data, the Santa Clara County Manufacturing Group projected a net housing unit shortfall of 61,667 dwelling units by 1990. In the absence of a metropolitan government, it would appear that each city would have to take responsibility for providing some housing in conjunction with new jobs. It should be emphasized, however, that this decision is more a question of public policy rather than strict economic analysis. The large percentage of Cupertino's land which is already devoted to housing, and the past efforts of certain employers and developers to encourage housing production, may be factors taken into consideration in determining such policy.

Since the policy objectives concerning this issue have yet to be formulated by the City, it is not possible to recommend specific mitigation measures. Questor believes that the housing market data presented in this report will be useful in refining these policies. In addition, Questor has investigated the techniques used by neighboring cities in Santa Clara County in approaching this problem. Methods used in Palo Alto and Sunnyvale are presented below. Both cities require some form of housing mitigation measures under the California Environmental Quality Act (CEQA).

Palo Alto requires that developers of all new buildings or expansions to buildings of over 50,000 square feet are required to pay \$1 per square foot as a contribution toward housing mitigation. This money goes into a housing fund administered by Palo Alto's nonprofit housing corporation. Most of these funds are then used in Palo Alto's land banking program, in which the City buys land for the construction of below market rate housing.

Sunnyvale requires housing mitigation measures from developers of industrial projects which have an employee density of over 45 persons per acre, a number based on the average employee density currently existing in the City. Employers must provide housing in one of four ways:

- ° Provide additional housing in a mixed-use context on the development site;
- ° Provide additional housing units on a site different from that of the original development site;
- ° Pay a fee, based on a formula explained below; or
- ° Propose alternative form of housing mitigation.

The formula which determines the housing mitigation fee in Sunnyvale is as follows:

$$\text{Excess employment} \div 1.78 \times .64 \times \$5,000 = \text{Housing Mitigation Fee}$$

The excess employment is equal to the number of employees over the limit of 45 employees per acre. The 1.78 figure is the Sunnyvale Planning Department's estimation of the number of employed residents per household. The .64 figure is the approximate percent of the households in the County earning less than 130% of the median County household income. The \$5,000 figure is equal to the existing level of per-unit contribution made by the City in the Block Grant-funded Housing Incentive Fund. There, the level of effort by the City and by private developers is nominally the same.

The Housing Incentive Fund (HIF) is available to developers who elect to build housing affordable to lower income households, typically rental housing. The purpose of the HIF is to help make affordable housing projects economically feasible to build. Money from the new housing fund is used to pay selected per-unit costs associated with the construction of below market rate units in approved housing projects, such as sanitary sewer connection fees, water main connection fees, and park dedication fees. Since this ordinance was passed only in September 1981, it has not as yet been used in a specific case.

The City has not established a formula for the number of housing units which a developer must build. This number is negotiated on a case-by-case basis, and is judged by a "good faith effort" criterion. Such development requires a Special Use Permit, and cases are considered by both the Planning Commission and the City Council.

As a further example of a possible housing mitigation measure, Questor has calculated the typical number of housing units owned or rented by employers for the purpose of housing visiting sales personnel and clients as explained in Section VI. This ratio is approximately one housing unit per 40 to 70 employees; such a ratio could be refined through a comprehensive survey of Cupertino employers and employed in a housing mitigation formula.

E. FISCAL IMPACT CONCLUSIONS

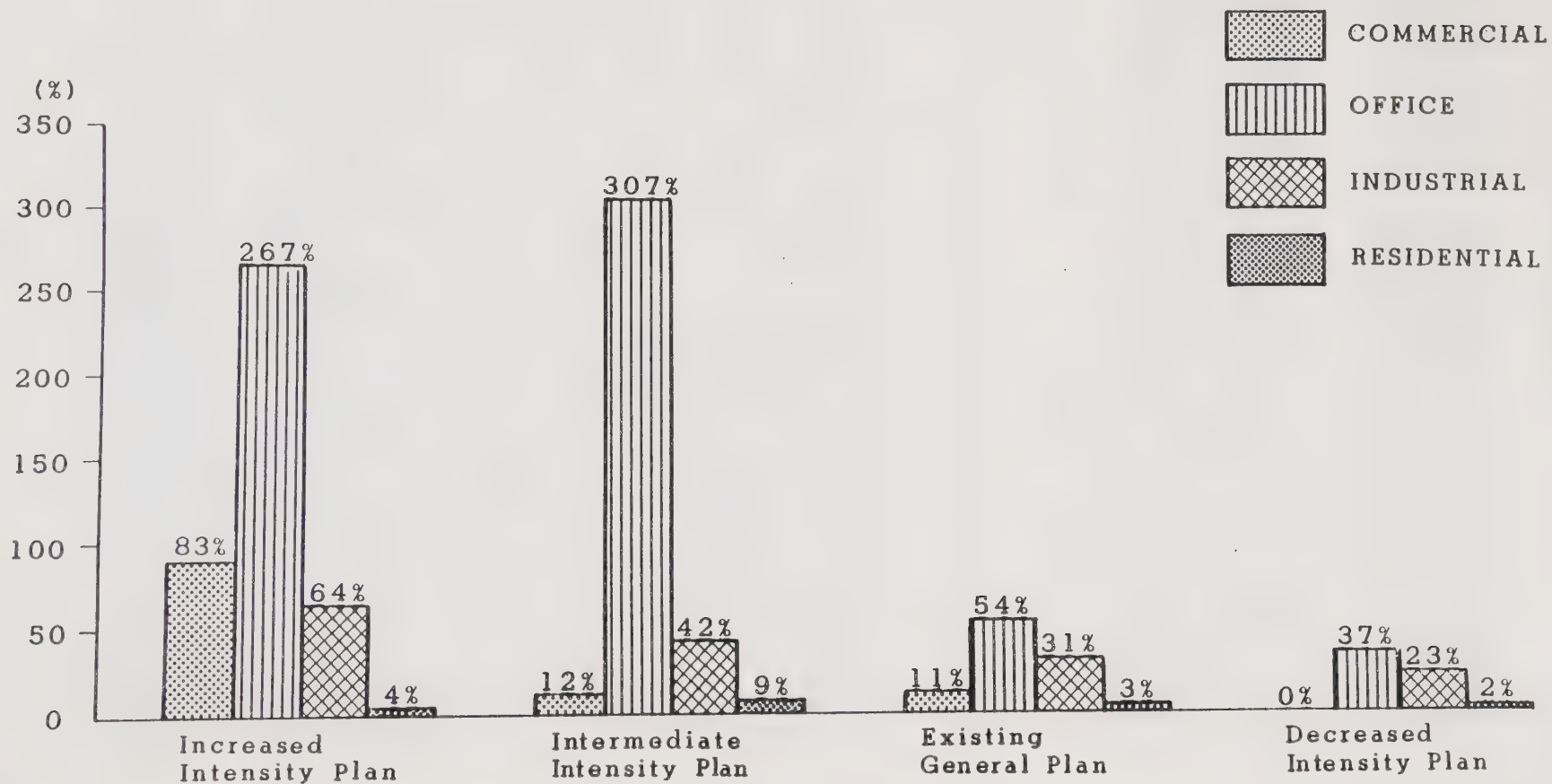
The increased intensity plan generates the largest fiscal surplus. This fact alone, however, does not justify it as the best alternative. To further refine the fiscal impact analysis, it is recommended that a meeting of agencies providing services be convened to pinpoint the likely marginal costs and delivery problems of servicing development under the increased and existing scenarios. A public/private task force of department heads, developers, and business executives should be established to consider how to finance new infrastructure and services.

F. POLICY IMPLICATIONS

All four of the General Plan scenarios are feasible in terms of market and fiscal criteria, with the exception of 1) the level of commercial development permitted under the increased intensity alternative. The percent increases over existing levels for each of the four types of land use are summarized in Exhibit VIII-1.

Several key issues which must enter into the City's decision in selecting an appropriate General Plan are not covered in this report. These issues include:

Exhibit VIII-1
 LAND USE SUMMARY EVALUATION
 ADDITIONAL CONSTRUCTION AS PERCENT OF
 EXISTING/APPROVED CONSTRUCTION - CUPERTINO 1982



- ° Environmental concerns;
- ° Social policy objectives;
- ° Urban design criteria; and
- ° Transportation impacts.

As a result, Questor encourages the City of Cupertino to consider the results of this study in light of the varied concerns which influence land use planning. Only by considering the full impacts of the three General Plan scenarios can the City make an informed decision concerning the future of Cupertino.

APPENDIX A

APPENDIX A

LIST OF CONTACTS

A Clean Well-Lighted Place for Books: Mr. John Wiechman,
Manager (The Oaks)

Apple Computer, Inc.: Ms. Gail Van den Berg, Human Resources

Aulik & Associates: Ms. Lynn Hansen, Marketing Agent for
Stanford Shopping Center

Bottom Line Footwear: Ms. Myrna Undajon, Owner (The Crossroads)

California Employment Development Department: Ms. Ricka Pirani,
Santa Clara County
Statistician

California Employment Development Department: Ms. Dorothy Stevens,
Placement Supervisor,
Sunnyvale Office

California Water Service Company: Mr. Al Stregger, District Manager

Capitol Square Shopping Center: Ms. Karen Kaiser, Management

Central Fire District: Mr. Ron Moore

Coldwell Banker: Mr. Drew Arvay, Research and Development
Properties

Coldwell Banker: Mr. Jerry E. Moison, Industrial Properties

CPS Associates: Mr. Mike Michaels, Research and Development
Properties

Cupertino Chamber of Commerce: Mr. Frank Mulkern, Executive
Director

Cupertino Sanitary District: Mr. Bill McBee

Cupertino School District: Ms. Carol Waters

Cushman & Wakefield: Mr. Fred Rubio, Office Space Leasing Agent

Cushman & Wakefield: Ms. Gloria Edwards, Office Space Leasing Agent

Cushman & Wakefield: Mr. Bill Huidt, Research and Development
Properties

Eastridge Mall: Ms. Sibyl Kellner, Manager

Ernest J. Hahn Company: Mr. Wayne Finley, Project Manager for
Valley Fair Expansion

Ernest J. Hahn Company: Mr. John Gilchrist, Marketing

Fremont Union High School District: Mr. George Jacobson

Gifts Unique: Ms. Pat Dooley, Manager (The Oaks)

Grosvenor Properties: Mr. Frank Juszczyk, Research and Development
Properties

Hare, Brewer, and Kelley, Inc.: Mr. Dan Hale, Leasing Agents,
(The Crossroads)

Hewlett-Packard: Mr. Wallace A. Klingman, Facilities Manager

Kathy's World Jewelers: Ms. Katherine Bullier, Manager (The Oaks)

Kessler's: Mr. Harris Kessler, Mr. John Kessler (The Crossroads)

Lincoln Properties: Mr. Burch Boone (Town Center North project)

Litronix, Inc.: Ms. Darlene Jack, Personnel

Loral Wigs: Ms. Lori Miller, Owner (The Crossroads)

Mayfield Mall: Mr. Dan Zahm, Marketing and Promotion

MacMillan, Moore and Buchanan, Inc.: Ms. Wendy Kirst,
Office Leasing Agent

Measurex Corp.: Mr. William Guengerich, Employment Relations
Manager

Mervyn's: Mr. Bill McQuaid, Marketing

Monta Vista Hardware: Mr. Don Bettisworth (Stephens Creek Blvd.)

Oakridge Mall: Mr. Ed Sothcott, Marketing and Promotion

Optically Speaking: Ms. Catherine Wang, Manager (The Oaks)

Peninsula Times Tribune: Mr. Jeff Rogers, Marketing Department

Pier 1 Imports: Ms. Karen Tully, Assistant Manager (The
Crossroads)

Saint Tropez Dress Shop: Ms. Caroline Schumacher, Manager
(The Oaks)

San Antonio Shopping Center: Mr. Gary Johnson, Marketing and
Promotion

San Jose Chamber of Commerce: Ms. Cheryl Spear, Industrial Parks
Statistician

San Jose Mercury News: Mr. George Owens, Marketing Research
Director

San Jose Water Works: Mr. Fred Myer

Santa Clara County Planning Department: Mr. Dave Minister,
Transportation Planner

Santa Clara County Planning Department: Mr. John Logothetti,
Planner

Sears: Mr. Dick House, Manager

Sophia's Fashions: Ms. Sophia Nelson, Owner (The Oaks)

Stanford Shopping Center: Mr. Christopher Schardt, Assistant
General Manager

Straw Hat Pizza: Mr. John Lowe, Manager

Sun 'n Soil Natural Foods: Mr. Alan Roth, Owner (The Crossroads)

Sunnyvale Town Center: Ms. Laurie Seales, Marketing and
Promotion

Tandem Computers, Inc.: Ms. Janet L. Skadden, Personnel

The Paper Doll: Ms. Marilyn Morales, Owner (The Crossroads)

Timex: Ms. Jan Vance, Personnel

Vallco Park: Mr. Walter P. Ward, General Manager

Vallco Park: Mr. Burrel Leonard, President

Vallco Park: Mr. Will W. Lester, Vice President

Vallco Park: Mr. Charles E. Newman, Manager, Leasing and
Development

Westgate Shopping Center: Ms. Terri Pappin, General Manager

Y. T. Limited Dress Shop: Ms. Yvonne Twidwell, Manager (The Oaks)

APPENDIX B

APPENDIX B

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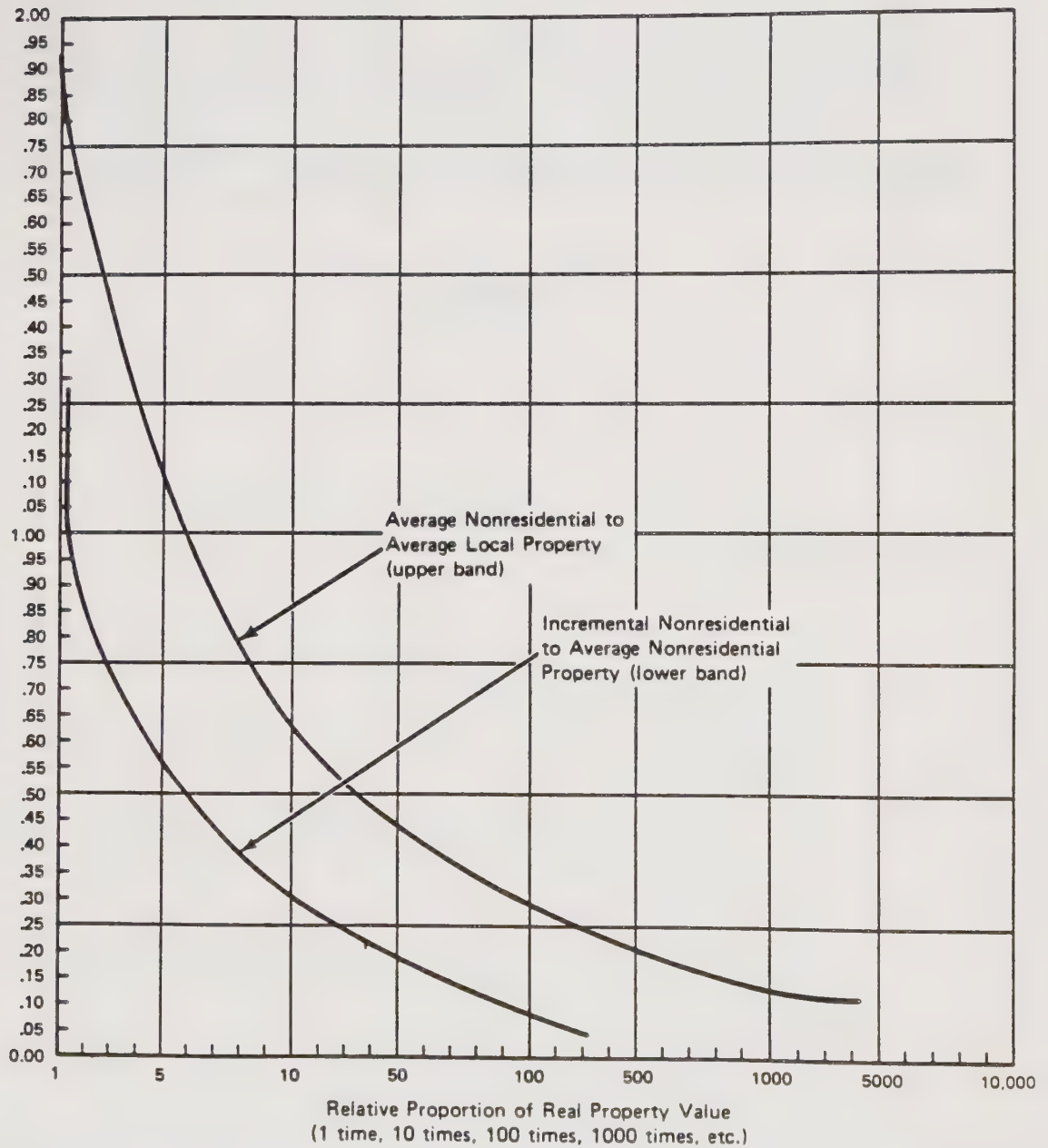
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APPENDIX C

Appendix C

REFINEMENT COEFFICIENTS FOR THE PROPORTIONAL VALUATION FISCAL IMPACT METHOD



Source: Case Studies of Nonresidential Impact—Rutgers University, Spring, 1977.

APPENDIX D



Appendix D

CENTRAL FIRE PROTECTION DISTRICT
3071 DRIFTWOOD DRIVE
SAN JOSE, CA 95128-4499

SERVICE

SINCE 1947

(408) 378-4010

19 April 1982

PLANNING COMMISSION

Robert S. Cowan
Assistant Planning Director
City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

APR 19 1982

Dear Mr. Cowan:

This letter is in response to your request for the Central Fire Protection District's input into the City of Cupertino's General Plan Amendment Study. Specifically, you requested information on the Central Fire Protection District's present service capability and their projections on the cities fire protection needs when it reaches build out with a population of 50,000. You further requested that we expand our fire service projections to include those changes brought about by the introduction of high-rise structures within the city.

PRESENT

The Central Fire Protection District presently provides a full range of fire protection services to four cities (Cupertino, Los Gatos, Monte Sereno, and half of Saratoga) and the unincorporated areas adjacent to those cities. The District has 135 personnel who maintain a network of eight fire stations and staff nine Class A fire pumpers and two ladder trucks. All personnel are trained to EMT-FS standards in order to carry out their emergency medical responsibilities. The District responded to a total of 4,392 alarms in calendar year 1981. One thousand four hundred and twenty two of those alarms were within the City of Cupertino.

Central Fire has two fire stations within the City of Cupertino staffed by an on-duty force of 10 firefighting personnel on a 24-hour-per-day basis. The District provides three Class A fire pumpers and one ladder truck within the two Cupertino Stations. The District is able to provide an average response time to the citizens of Cupertino of just over three minutes.

PROJECTION 1 (CITY OF CUPERTINO BUILD-OUT WITH NO HIGH RISE)

The Central Fire District is more sensitive to an increase in the City of Cupertino's population than with the addition of structures built horizontally. Fire protection calls for service will rise as population rises. As calls for service rise, the probability of simultaneous alarms increases which will tax the present on-duty sources within the City. The Town Center, Vallco and south western portions of the city have the capability of the most growth.

(CONTINUED)

PROJECTION 1 (CON'T)

In order to handle the anticipated need for service, the District wishes to place a fire station in the area of the Seven Springs Ranch near Stelling Road and Rainbow Drive. One plan for staffing the new facility would be to move our two-person engine company from Cupertino Station and staff it with three people. The District would also increase the staffing on the Cupertino truck company from two people to three. Further, the District is planning to add two rescue units during Fiscal Year 1984-85 -- one unit for the Cupertino Area. The rescue units (flying squads) would be staffed with two people each. If the District is able to realize the above-mentioned goals, the on-duty firefighting force within the City of Cupertino would rise to 14 people (or .28 firefighters per 1000 population - using a projected population figure of 50,000 residents). Incidentally, the District is mandated by CAL OSHA to staff its firefighting companies with a minimum of three people (Arcade Fire District case). No other staffing increases are foreseen with the possible exception of an additional fire prevention inspector.

PROJECTION 2 (CITY OF CUPERTINO BUILD-OUT WITH HIGH RISE BUILDINGS)

If the City of Cupertino chooses to add high-rise structures to its community, the decision would have a definite impact on the Central Fire Protection District's service capabilities. The biggest changes envisioned would be to increase the staffing at Cupertino Station to four personnel on the engine and four on the truck with the addition of one 3-person engine company.

The introduction of high-rise buildings into the City of Cupertino would also have an impact on the District's Training and Fire Prevention Divisions. The District would need to assign one fire prevention inspector full time to a high-rise building cluster as proposed. This person would have the responsibility of overseeing the maintenance of all built-in protection systems and assist in the training of an on-site firefighting team made up of building security personnel. The impact on the Training Division would be seen early as high-rise firefighting techniques are taught to District personnel. The threshold between normal structural firefighting techniques and high-rise firefighting begins in the Central Fire District when building height goes beyond 5 stories or 60 feet. The biggest changes occur in getting personnel and equipment to the fire floor. Elevators cannot be safely used to transport personnel during high-rise building firefighting, forcing personnel to use stairways to reach the fire floor. We estimate it may take as long as 30 minutes to get a fully equipped firefighting team to the 10th floor of a high-rise structure.

If the City of Cupertino were to allow high-rise structures within its community, the District would create a 2nd Battalion District to insure overhead leadership within the community on a more timely basis. With the magnitude of the fire and rescue problems possible in a high-rise structure, it is unreasonable to expect the first arriving fire Captain to direct the efforts of 17 first alarm people and make his way to the fire floor to begin rescue operations. With a Chief Officer on the scene early, we can maintain control and build up our forces in an orderly fashion.

To summarize, there will definitely be an impact on the Central Fire District if high-rise buildings are introduced into the City of Cupertino.

PROJECTION 2 (CON'T)

To mitigate the impact, I offer the following District needs with 1981-82 costs and projected times for implementation.

STAFFING

IMPLEMENT

Needs

15 Additional Firefighters

- a. 6 for increased staffing of Engine and Truck 1
- b. 9 for staffing of Engine 101

- a. Prior to building of 1st structure
- b. Prior to completion of $\frac{1}{2}$ of structures allowed

3 Additional Battalion Chiefs

Prior to completion of $\frac{1}{2}$ of structures allowed

1 Additional Fire Prevention Inspector

Prior to building 1st structure

Plan Check Assistance

Staffing Costs

Firefighters = \$570,000

Battalion Chiefs = \$159,000

Fire Prevention Inspector = \$ 44,000

TOTAL \$773,000

Buildings and Equipment

Needs

IMPLEMENT

- a. New station or renovation of Cupertino Station

- a. Prior to building of 1st structure

- 1. Room to house 12 on-duty personnel

- b. New 1500 GPM Pumper

- b. Prior to completion of $\frac{1}{2}$ of structures allowed

- c. Miscellaneous Equipment

- c. Prior to building of 1st structure

- 1. Task force hose and nozzle

- 2. High rise packages

- 3. Other

19 April 1982

Needs

IMPLEMENT

d. Miscellaneous Training Needs/On Going Training

e. Other

Building and Equipment Costs

Station	=	\$750,000
Pumper	=	\$120,000
Equipment	=	\$ 50,000
Training	=	<u>\$ 25,000</u>
TOTAL		\$945,000

Recap (In 1981-82 dollars)

Staffing	=	\$773,000
Capital	=	<u>\$945,000</u>
TOTAL		\$1,718,000

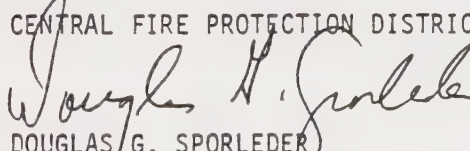
Additionally, the District wishes to commend the City of Cupertino for its efforts in providing emergency access to buildings and encourages the City to continue providing access without obstruction such as ponds, bridges, and covered walkways. If the city chooses to allow construction to exceed four stories in height, we urge you to strongly discourage the open, atrium-style buildings.

Finally, Central Fire District wishes to see a buffer zone between industry and housing maintained to guarantee a degree of safety to residents in cases of hazardous industrial accidents.

With continued cooperation between the City of Cupertino and the Central Fire Protection District, we envision continued strides towards a fire safe community.

Sincerely,

CENTRAL FIRE PROTECTION DISTRICT


DOUGLAS G. SPORLEDER
Fire Chief

APPENDIX E

DETAILED STATEMENT OF GENERAL CITY EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30 1980

	CUPERTINO		MILPITAS		PACIFICA		PLEASANTON		SAN BRUNO		UNION CITY	
	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS	EXPENSES	OUTLAYS
GENERAL GOVT ---DEPARTMENTAL											\$18,805	\$104
CITY COUNCIL-----	\$22,805	-----	\$39,003	\$170			\$23,548	\$394	\$20,485	\$90	\$4,144	-----
MANAGER OR ADMINISTRATOR----	106,302	\$826	134,442	-----	\$138,148	\$230	125,339	1,557	63,279	-----	30,848	-----
CITY CLERK-----	102,350	3,298	51,263	-----	167,110	-----	-----	-----	37,521	-----	-----	-----
CONTROLLER OR FINANCE											98,233	26,017
OFFICER-----	173,738	1,539	73,678	-----			215,980	160	110,489	6,083	-----	-----
CITY TREASURER-----			24,405	-----	177,459	-----	-----	-----	6,971	-----	45,261	-----
CITY ATTORNEY-----	61,765	-----	121,505	245	35,072	-----	73,208	2,552	50,403	8,169	126,657	-----
PLANNING-----	244,566	586			67,298	-----	139,794	-----	75,159	-----	75,863	-----
PERSONNEL ADMINISTRATION----	59,095	133				-----	-----	-----	28,381	-----	648,370	7,764
GENERAL GOVT BUILDINGS----	42,246	120,057	149,074	-----		-----	530,250	51,929	71,860	7,226	-----	-----
OTHER-----	15,774	-----	86,173	839	96,304	-----	-----	-----	602,646	225,646	-----	-----
					70,513	-----	-----	-----	-----	-----	-----	-----
GEN GOVT ---NONDEPARTMENTAL												
DEBT SERVICE												
GENERAL OBLIGATION												
BONDS-----											47,404	-----
INTEREST-----	39,163	-----	145,815	-----			64,447	-----	-----	-----	45,000	-----
PRINCIPAL-----	70,000	-----	265,000	-----	130,023	-----	50,000	-----	-----	-----	-----	-----
OTHER BONDS												
NON-ENTERPRISE												
INTEREST-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
PRINCIPAL-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER LONG TERM DEBT												
INTEREST-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
PRINCIPAL-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
RETIREMENT-----	-----	-----	575,427	-----	-----	-----	-----	-----	664,944	-----	200,000	-----
INSURANCE-----	73,993	-----	409,482	-----	-----	-----	-----	-----	472,209	-----	535	2,010
COMMUNITY PROMOTION-----	30,215	-----	-----	-----	-----	-----	3,710	-----	1,175	-----	-----	-----
ELECTIONS-----	10,037	-----	10,972	-----	-----	-----	10,996	-----	12,233	-----	343,045	-----
OTHER-----	41,865	-----	59,243	273,472	-----	-----	23,771	85,048	68,785	-----	-----	-----
					856,539	-----	-----	-----	-----	-----	-----	-----
PUBLIC SAFETY												
POLICE PROTECTION-----	990,612	1,553	1,577,410	24,205			1,489,597	14,844	1,436,564	71,803	1,802,886	6,492
FIRE PROTECTION-----			1,030,745	4,321	1,656,983	2,112	934,824	7,478	819,623	27,590	1,005,426	908
BUILDING REGULATION-----	187,403	10,077	106,323	-----	907,515	14,010	149,647	3,365	61,010	309	118,495	-----
ANIMAL REGULATION-----					77,205	-----	40,551	3,323	14,432	-----	81,765	331
CIVIL DEFENSE-----	3,000	-----		-----	12,628	-----	2,274	-----	10,247	-----	2,300	-----
PUBLIC WORKS												
ENGINEERING AND ADMIN ----	271,297	940	254,810	857			281,805	2,845	76,495	1,172	214,980	1,055
STREETS, STORM DRAINS AND					152,709	-----	-----	-----	-----	-----	-----	-----
STREET LIGHTING-----	731,933	631,645	543,905	1,059,681	-----	-----	367,756	214,011	642,189	212,294	461,097	371,278
PARKING FACILITIES-----					460,280	130,558	-----	-----	13,843	-----	-----	-----
SEWAGE COLLECTION AND												
DISPOSAL-----	-----	-----	-----	-----	1,225,015	-----	-----	-----	708,172	4,697	-----	-----
WASTE COLLECTION AND												
DISPOSAL-----	37,587	-----	-----	-----	-----	-----	-----	-----	1,099,170	3,239	-----	-----
UNALLOCATED COSTS---SHOPS											260,607	33,753
AND CORPORATION YARDS----	305,005	39,748		-----	412,374	51,012	-----	-----	-----	-----	-----	-----
HEALTH												
HEALTH SERVICES-----	-----	-----	-----	-----	-----	-----	6,649	-----	-----	-----	7,500	-----
LIBRARIES												
LIBRARY SERVICES-----	-----	-----	-----	-----	-----	-----	-----	-----	291,833	19,545	-----	-----
PARKS AND RECREATION												
PARKS AND RECREATION-----	406,825	54,445	460,824	291,387	603,975	-----	655,286	97,665	677,523	201,049	242,491	466,357
CONTRIBUTIONS TO OTHER GOV-												
ERNMENT FUNDS AND UNITS												
CONTRIBUTIONS TO-												
CITY OWNED ENTERPRISES----	-----	-----	-----	-----	-----	-----	7,727	-----	6,313	16,284	144,154	-----
OTHER-----	-----	-----	-----	-----	-----	-----	-----	22,238	59,831	32,400	-----	-----
TOTAL EXPENDITURES----	\$4,027,576	\$864,847	\$6,119,499	\$1,655,177	\$7,502,150	\$197,922	\$5,197,159	\$507,409	\$8,203,785	\$837,596	\$6,105,866	\$916,069

Exhibit E-2

DETAILED STATEMENT OF GENERAL CITY REVENUES FOR THE FISCAL YEAR ENDED JUNE 30, 1980

	CUPERTINO	MILPITAS	PACIFICA	PLEASANTON	SAN BRUNO	UNION CITY
TAXES--PROPERTY					\$824,512	\$1,369,199
CURRENT YEAR--SECURED----	\$273,194	\$1,502,353	\$1,449,120	\$1,457,483	138,317	181,871
CURRENT YEAR--UNSECURED----	38,480	183,438	219,491	175,609	20,574	20,555
PRIOR YEARS-----	3,750	33,864	20,658	20,946	-----	1,086
OTHER PROPERTY TAXES-----	-----	-----	-----	2,640	2,267	681
INTEREST & PENALTIES-----	614	-----	-----	-----	-----	-----
TAXES--OTHER					2,425,445	1,347,274
SALES & USE TAXES-----	3,503,944	1,424,428	651,224	990,701	28,679	-----
TRANSIENT LODGING TAXES-----	-----	-----	13,285	22,494	193,614	245,759
FRANCHISES-----	274,543	249,086	217,581	135,902	283,646	83,965
BUSINESS LICENSE TAXES-----	69,410	73,954	77,955	67,787	58,849	52,301
PROPERTY TRANSFER TAXES-----	56,123	89,163	51,495	63,062	95,200	218,683
OTHER NON-PROPERTY TAXES-----	313,558	414,048	-----	85,038	-----	-----
LICENSES AND PERMITS					-----	27,912
ANIMAL LICENSES-----	-----	-----	752	16,827	-----	498
BICYCLE LICENSES-----	1,990	-----	245	2,019	97,779	373,138
CONSTRUCTION PERMITS-----	134,000	193,034	64,237	113,113	-----	-----
PARKING-----	-----	-----	-----	225	-----	25,005
STREET AND CURB PERMITS-----	-----	-----	-----	5,320	585	-----
OTHER LICENSES AND PERMITS-----	-----	6,142	75,355	685	-----	-----
FINES AND PENALTIES					126,984	50,324
VEHICLE CODE FINES-----	177,248	123,437	90,196	93,231	60,327	19,105
OTHER FINES-----	-----	9,730	-----	-----	-----	-----
OTHER PENALTIES-----	-----	-----	-----	-----	-----	-----
FROM USE OF MONEY & PROPERTY					628,199	464,895
INVESTMENT EARNINGS-----	861,156	686,449	973,170	499,223	22,003	-----
RENTS AND CONCESSIONS-----	34,779	15,102	303,205	2,882	-----	-----
ROYALTIES-----	-----	-----	-----	-----	-----	-----
OTHER-----	-----	-----	-----	-----	-----	-----
FROM OTHER AGENCIES					15,946	15,404
ALCOHOLIC BEV FEES -ST----	19,211	11,882	12,786	16,537	679,542	615,769
VEHICLE IN LIEU TAXES -ST----	651,518	634,902	689,225	605,602	365,395	310,195
GASOLINE TAXES -ST-----	360,880	331,465	370,448	305,034	52,740	115,871
HOMEOWNERS TAX RELIEF -ST----	26,716	142,423	92,018	120,352	5,109	10,434
BUSINESS INV TAX RELIEF-ST----	7,327	37,843	8,649	14,388	4,449	34,747
TRAILER IN LIEU TAXES -ST----	2,008	-----	3,794	16,027	135,713	106,418
CIGARETTE TAXES -ST-----	154,980	99,973	87,676	88,402	183,531	163,042
OTHER STATE GRANTS-----	311,797	178,446	340,531	266,323	73,870	75,363
COUNTY GRANT OF GAS TAX-----	-----	-----	139,178	-----	-----	2,712
OTHER COUNTY GRANTS-----	-----	17,646	77,215	-----	101,926	413,682
FEDERAL REVENUE SHARING-----	150,733	445,466	225,753	243,717	63,894	735,537
OTHER FEDERAL GRANTS-----	394,094	441,821	609,960	130,777	-----	19,410
OTHER TAXES IN LIEU-----	-----	-----	-----	-----	-----	-----
CURRENT SERVICE CHARGES					2,184	29,672
ZONING FEES-----	6,772	-----	-----	9,190	19,211	-----
SUBDIVISION FEES-----	-----	23,185	-----	8,853	-----	896
SALE OF MAPS, ETC.-----	640	5,888	218	349	722	40,925
OTHER FILING FEES-----	-----	-----	62,972	16,458	1,160	52,504
SPECIAL POLICE SERVICES-----	-----	-----	10,709	3,782	44,204	8,023
SPECIAL FIRE SERVICES-----	-----	34,685	894	32,239	240	-----
PLAN CHECKING FEES-----	25,641	-----	16,710	35,906	-----	-----
ANIMAL SHELTER FEES-----	-----	-----	-----	713	-----	-----
ENGINEERING FEES-----	119,241	128,528	4,475	295,894	-----	372,389
STREET AND CURB REPAIRS-----	-----	1,000	-----	-----	-----	-----
LOCAL ASSESSMENTS-----	-----	-----	-----	-----	-----	-----
LOT CLEANING-----	-----	-----	9,771	-----	211	-----
SEWER SERVICE-----	-----	-----	1,410,640	9,226	752,573	1,876
REFUSE COLLECTION-----	-----	-----	-----	-----	1,094,131	-----
SALE OF REFUSE-----	-----	-----	-----	-----	-----	-----
VITAL STATISTICS-----	-----	-----	-----	-----	-----	-----
FIRST AID AND AMBULANCE-----	-----	-----	-----	-----	-----	-----
HEALTH INSPECTION FEES-----	-----	-----	-----	-----	-----	-----
LIBRARY FINES AND FEES-----	-----	-----	-----	-----	8,895	-----
PARKS AND RECREATION-----	145,152	78,701	147,119	283,899	59,594	68,226
OTHER SERVICE CHARGES-----	67,000	649,949	6,029	4,759	13,246	-----
OTHER REVENUE					12,073	3,957
SALE OF PROPERTY-----	3,100	-----	3,495	15,640	-----	-----
SEWER CONNECTION FEES-----	-----	-----	32,592	-----	-----	-----
CONTRIBUTION FROM-----	-----	-----	-----	-----	-----	-----
CITY OWNED ENTERPRISES-----	51,330	-----	-----	11,680	50,000	-----
NON-GOVT SOURCES-----	-----	10,000	-----	19,381	25,001	1,062,313
OTHER REVENUE-----	112,135	74,712	18,165	60,477	826,021	11,994
TOTAL REVENUES-----	\$8,353,064	\$8,352,743	\$8,588,991	\$6,444,682	\$9,755,418	\$8,753,610

U.C. BERKELEY LIBRARIES



C124884246

